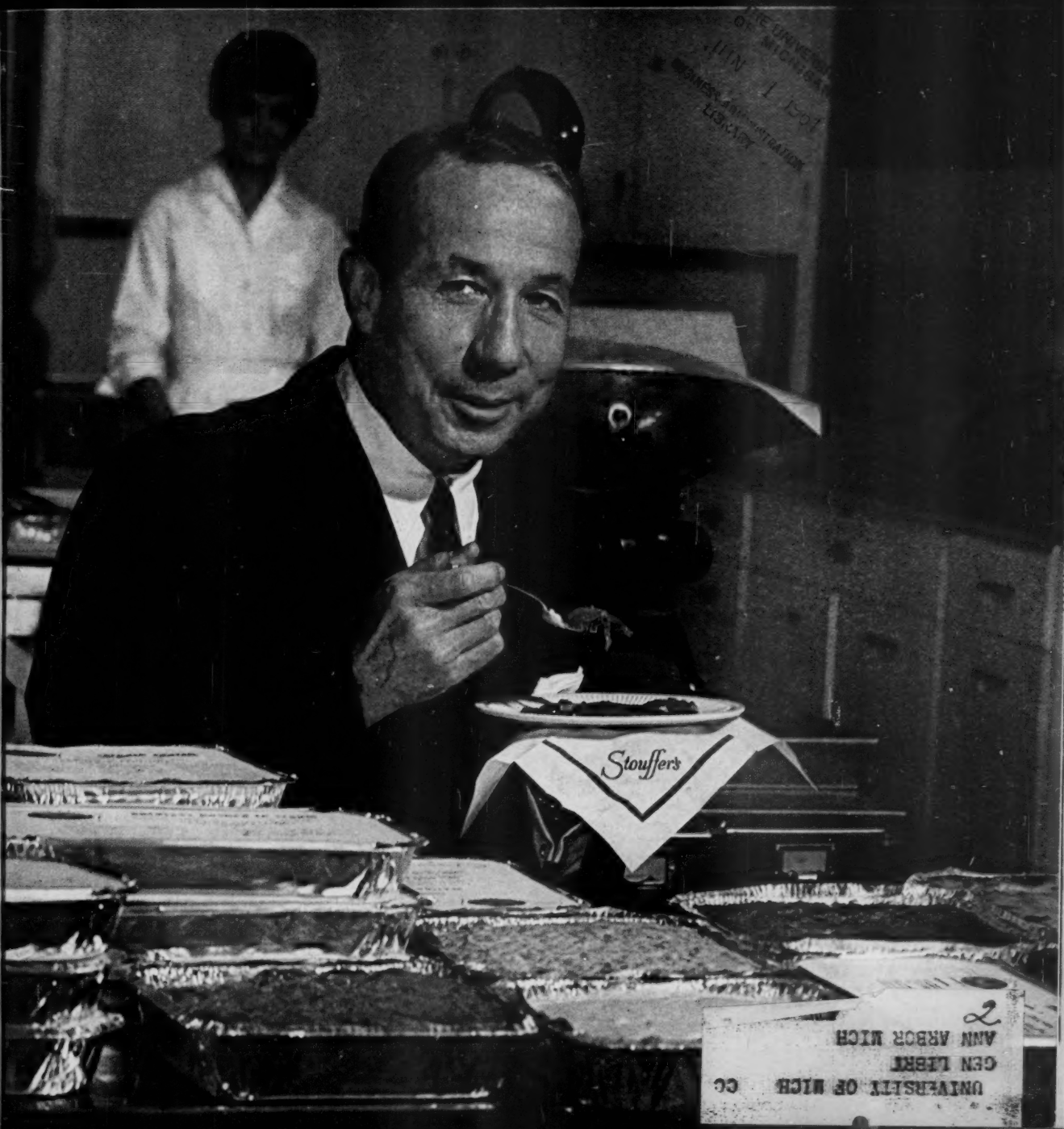
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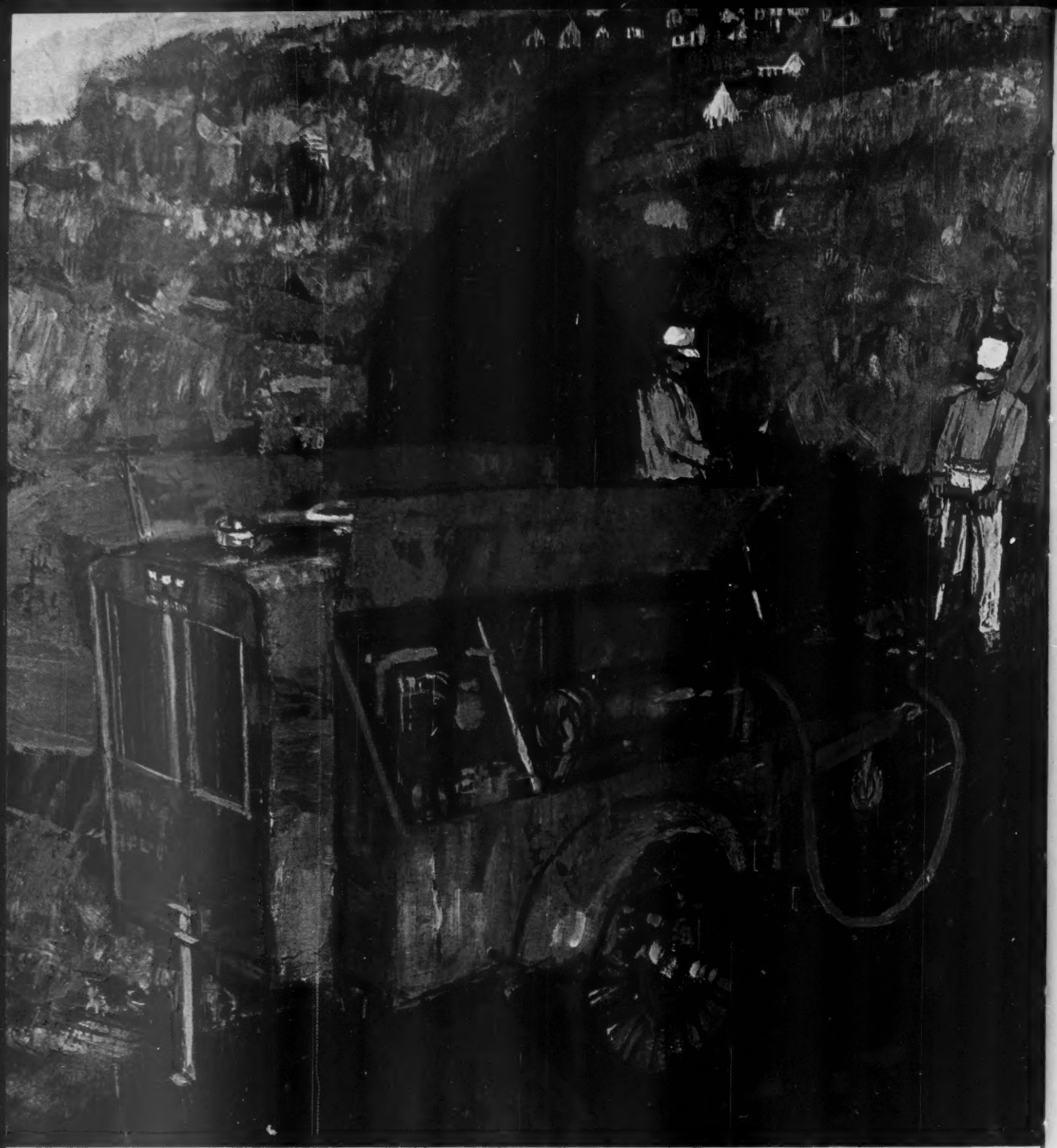
Big solid rockets are coming fast

Page 84

Below: Vernon Stouffer of Stouffer Corp. is opening up new frozen food markets in churches, schools, motels, and gas stations [Marketing]



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SIMPLEST AIR POWER—FOUR TIMES AS SURE Today this contractor's compressor delivers air in one simple step. Until recently, these compressors were built with two stages of air compression—and two rotors were needed. Both stages were essential for efficient sealing of rotors to cylinders. ■ Now, however, Worthington engineers have developed a new technique of injecting and spreading sealing oil. It completely eliminates the second stage and any dual rotor construction. ■ Result? This new Mono-Rotor portable compressor has 63% fewer parts. And its extreme simplicity has made it more dependable—so dependable that Worthington has quadrupled the warranty period. Worthington Corporation, Harrison, N.J.

WORTHINGTON

PRODUCTS THAT WORK FOR YOUR PROFIT

In BUSINESS this WEEK

June 3, 1961

Page 11 Business Outlook
37 Washington Outlook
71 International Outlook
97 Personal Business
108 The Trend
2 Figures of the Week
5 Readers Report

BW

General business

Page 17 **Dollars for man to moon**
Administration hopes business recovery will provide pay for stepped-up spending on project to land man on the moon

18 **The moon by 1967 or bust**
Space experts at Tulsa conference are briefed on stepped-up U. S. plans

21 **In metals, it's almost a boom**
Strong second-quarter upturn helps both steel and nonferrous metals, but there are some signs of a leveling off

22 **Seeking a damper for racial strife**
Administration edges bus issue toward courts; businessmen seek moderation

23 **Billion-dollar prize spurs integration**
That was the stake at Lockheed's Marietta (Ga.) plant

24 **Canada's turn for the better**
Economy is coming out of long slump, with the U. S. and Europe giving lift to all important exports

25 **Airline clubs under fire**
CAB bureau moves against clubs offering airport lounges, other privileges to members

26 **In business**
Szymczak quits Fed board; Supreme Court upholds state Sunday closing laws; drug cures rare form of cancer; auto finance hearings

The departments

Business Abroad 58 **Secret talks shape Algeria's economic ties.** Negotiations center around finding a way to give Algeria its independence without cutting all ties to France

57 **In business abroad.** Britain's entry into EEC; U.S. investment in underdeveloped countries; West German advertising; Russo-Japanese trade boom

Finance 28 **Earnings held firm in slump.** List of $50-million-plus companies lost only four names in 1960

32 **Key bank case goes to trial.** Antitrust raises new issue in Philadelphia merger

Industries 64 **Product rush stirs electronics.** Flood of new items at Chicago show underlines industry's main problem and points to coming shakedown

Labor 104 **Turning cooks into teachers.** That's how the restaurant industry is trying to establish cooking as a skilled, desirable profession

103 **In labor.** Texas' right-to-work law; dispute between flight engineers and pilots; arbitration between craft and industrial unions; training jobless for new vocations

Management 63 **In management.** MIT tops in corporate gifts; cost of absenteeism; new target for public relations; a survey of moonlighting

Marketing 84 **Stouffer preempts the kitchen.** Restaurant chain's frozen foods and management service are taking over the church dinner, institutional dining rooms, now the gas station counter

92 **May chain edges into discounting.** But only for standardized wares; it retains traditional service for fashion lines

The Markets 77 **U.S. pokes into foreign exchange.** For the first time, the Treasury is trading in order to promote stability of currencies

80 **Wall Street talks**

83 **In the markets.** Spotlight on speculation; SEC rules for investment advisers; Res arrested; Managed Funds case; United Whelan mixup

New Products 52 **In new products.** Titanium-clad steel plate; Fairchild's transistorized facsimile system; fade-resistant color prints from photo transparencies

Research 42 **Solid-fueled rocket nears crucial test.** United Aircraft subsidiary will test-fire new tapered solid-fuel segment within the next two months

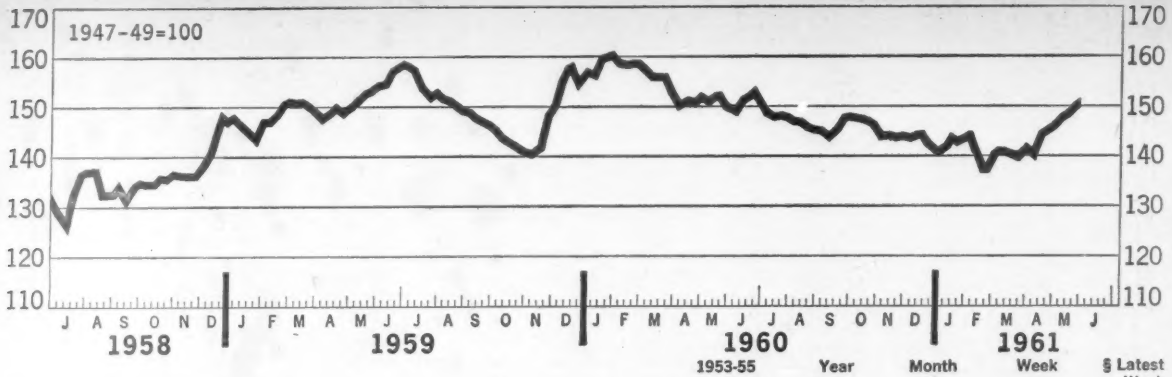
51 **In research.** New development in spotting and treatment of cancer; protecting space travelers from radiation; harnessing the power of underground nuclear blasts

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1657

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Figures of the week



	1953-55 average	Year ago	Month ago	Week ago	§ Latest Week
BUSINESS WEEK index chart	133.3	150.5	146.6	150.5r	151.4*
Production					
Steel ingot [thous. of tons]	2,032	1,870	1,858	2,037r	2,077
Automobiles	125,553	142,359	114,378	123,528r*	127,659*
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]	$52,412	$83,519	$74,811	$74,554	$73,761
Electric power [millions of kilowatt-hours]	10,819	13,938	14,254	14,352	14,390
Crude oil and condensate [daily av., thous. of bbl.]	6,536	6,815	7,249	7,061	7,054*
Bituminous coal [daily av., thous. of tons]	1,455	1,424	1,245	1,227r	1,290
Paperboard [tons]	247,488	310,595	319,809	324,167	NA
Trade					
Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars]	70	60	54	55	56
Carloadings: all others [daily av., thous. of cars]	47	46	35	37	39
Department store sales index [1947-49=100, not seasonally adjusted]	121	138	144	157	146
Business failures [Dun & Bradstreet, number]	198	299	369	303	368
Prices					
Industrial raw materials, daily index [BLS, 1947-49=100]	89.2	93.1	93.5	93.5	92.1
Foodstuffs, daily index [BLS, 1947-49=100]	90.5	77.3	78.8	76.9	76.5
Print cloth [spot and nearby, yd.]	19.8¢	21.1¢	17.5¢	17.4¢	17.5¢
Finished steel, index [BLS, 1947-49=100]	143.9	186.8	186.1	186.1	186.1
Scrap steel composite [Iron Age, ton]	$36.10	$32.50	$36.50	$36.50	$36.83
Copper [electrolytic, delivered price, E&MJ, lb.]	32.394¢	33.000¢	29.260¢	30.970¢	31.031¢
Aluminum, primary pig [U. S. del., E&MJ, lb.]	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.]	††	25.02¢	21.69¢	21.98¢	21.82¢
Wheat [No. 2, hard and dark hard winter, Kansas City bu.]	$2.34	$1.98	$1.98	$1.95	$1.94
Cotton, daily price [middling, 1 in., 14 designated markets, lb.]	34.57¢	32.20¢	28.39¢	31.88¢	31.94¢
Wool tops [Boston, lb.]	$1.96	$1.70	$1.75	$1.75	$1.75
Finance					
500 stocks composite, price index [S&P's, 1941-43=10]	31.64	55.79	65.55	66.81	66.33
Medium grade corporate bond yield [Baa issue, Moody's]	3.59%	5.28%	5.01%	5.01%	5.01%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate]	2-2⅛%	4¼%	2¾%	2¾%	2¾%
Banking Millions of dollars					
Demand deposits adjusted, reporting member banks	††	NA	NA	61,313	61,796
Total loans and investments, reporting member banks	††	104,044	111,059	112,822	111,957
Commercial, industrial and agricultural loans, reporting member banks	††	32,318	32,891	33,068	32,799
U. S. gov't guaranteed obligations held, reporting member banks	††	26,140	30,340	31,438	31,189
Total federal reserve credit outstanding	26,424	27,338	27,775	28,180	28,070
Gold stock	21,879	19,352	17,390	17,403	17,403

Monthly figures of the week

		1953-55 average	Year ago	Month ago	Latest Month
Private expenditures for new construction (in millions)	May	$2,390	$3,265	$3,030	$3,292
Public expenditures for new construction (in millions)	May	$980	$1,383	$1,259	$1,481
Employment (in millions)	May	62.2	67.2	65.7	66.8
Unemployment (in millions)	May	2.5	3.5	5.0	4.8
Cost of living (U. S. Dept. of Labor BLS, 1947-49=100)	April	114.6	126.2	127.5	127.5
Manufacturers' inventories (seasonally adjusted, in billions)	April	$45.2	$54.7	$53.3	$53.4

* Preliminary, week ended May 27, 1961.
†† Not available. Series revised.
r Revised.
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READERS REPORT

Race for leadership

Dear Sir:

Your editorial on the successful Project Mercury shot (BW—May 13'61,p160) was refreshing. The U. S. certainly must choose to maintain world leadership and must enter the space race.

Our omissions of the past have not stemmed from lack of talent, but from lack of vision among our top political leaders. Jurisdictional disputes and duplication of effort among the services have also contributed to the situation.

Jack Linsk

Highland, Ind.

Help unwanted

Dear Sir:

It was about time that an honest appraisal was made of the export program and what the Commerce Dept. had actually accomplished (BW—May13'61,p63).

When we contacted the Dept. of Commerce to discuss our participation in America's export promotion campaign as consultants in international trade, rather than being greeted with interest and cooperation we found the "bunch of politicians and college professors" described in your article, quite cold to the whole concept. It was politely pointed out that we were trying to sell what the government was giving away free. Obviously, what they were giving away free had no commercial value. . . .

It appears that the Dept. of Commerce is completely unaware of the existence of a large industry —foreign freight forwarders and customs house brokers (licensed by the Federal Maritime Board and the U.S. Treasury Dept.) whose operation includes consultation for firms entering international trade. For years the industry has devoted itself to assisting American foreign trade. Despite this obvious fact, the Commerce Dept. chooses to go it alone and leave untapped this wealth of practical knowhow in furthering the national program.

The Business Week survey has confirmed our opinion as regards the ineffectiveness of the administration of the present program. We trust that it will spotlight the problem and help bring prompt changes to make the drive for increased exports really succeed.

Markand Thakar

New York, N. Y.

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Business outlook BW

June 3, 1961

Jobs gain seasonally

It won't be long now before recovery starts showing in the employment figures.

So far, all you can point to is normal seasonal improvement in job totals, and a gradual lengthening of the work week. But the fact that this is taking place is viewed by Labor Dept. economists as evidence that a turnaround is under way.

Employment climbed by 1-million jobs to 66.8-million in May. About half of the gain was in agriculture where spring planting was delayed by April showers.

The decline in unemployment was just about seasonal for May.

Jobless rolls decreased by 200,000—not enough to put a dent in the unemployment rate, which crept up a notch to 6.9% of the labor force, after allowance for normal seasonal changes.

But there's no denying the marked improvement in industrial centers.

Five major industrial areas shifted from substantial unemployment (12% or more) to moderate unemployment (9% to 11.9%) in April, according to the Bureau of Employment Security.

More vigor in construction

Construction—a dependable bedrock throughout the late recession—gave another sizable boost to recovery in the month just ended.

The total value of work put in place pulled ahead in May to an annual rate of $56.5-billion—the best showing since August, 1959.

Seasonal improvement was apparent in both private and public construction, but **most of the steam came from government projects.**

Highways continued to pace public works.

Work completed on roads and streets last month amounted to more than a half-billion dollars, accounting for most of the gain in the public sector.

Taxpayers who foot the bill will be pleased to learn they are getting more value for their highway dollar these days.

The cost of highway construction in the first quarter of 1961 slipped 1.2% below the previous quarter, according to the Bureau of Public Roads.

Lower price tags on steel and concrete get the credit.

Upturn in sight for homebuilding

Housing—having fallen down in its role of moving against cyclical downtrends—should do substantially better in the year's second half.

Partly this seems assured by the weather. The weatherman can hardly go on being so beastly to the homebuilding industry.

But it isn't just the weather that's holding back housing. You can scarcely blame either builder or buyer if they wait to see what kind of package Congress puts together for them.

May homebuilding was disappointing.

Residential work put in place ran up to $21.7-billion at an annual rate—an improvement over the previous eight months, but still low for May by historical standards. (May, 1959, was $25-billion.)

Private starts tumbled to an annual rate of only 1,233,000 units during April—7% short of last year's count for that month.

Even more disheartening, **the decline came on the heels of a sharp March**

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pickup that caused many homebuilding experts to raise their sights for the balance of the year.

It begins to look as though starts will have to pick up to an annual rate of at least 1.5-million during the summer months if they are going to come out at almost 1.3-million for the year, as the Commerce Dept.'s crystal gazers predict.

Meanwhile, demand for housing is spotty.

There is no longer a general housing shortage, except among some low-income groups.

Small homes and apartments seem to be what the public wants most.

Young married couples and older people whose families have flown the nest find the less-expensive, compact units better suited to their needs and means than the three- and four-bedroom houses that builders continue to raise, despite mounting evidence of overbuilding.

Administration efforts to pull down interest rates, thus reducing monthly payments, won't help much if builders fail to recognize the changing pattern of demand.

Price indexes hide strength in raw materials

Take a look at almost any of the accepted price indexes, and you would have trouble convincing yourself that recovery was under way.

The recent tendency has been to level off or inch downward.

This should not delude anyone. Pressures are building up under prices of numerous raw materials and manufactured products. Only the element of unused capacity and continued intense competition in most industries has kept prices from breaking loose.

In basic metals—where deflation was deepest and recovery is consequently briskest—prices definitely have improved.

In fact, the sensitive index of metal prices compiled daily by the Bureau of Labor Statistics has risen from a low of about 84 last December to a current level of about 95.

Star performers in this move have been steel scrap and copper scrap, often regarded as barometers of their respective industries, and always more volatile than the finished products made from them.

They are not alone in the upswing. Tin is at the highest point in many years, and lead shows signs of moving.

Buyers lay bets on future trend

Some users of copper expect prices to go still higher. Purchases from a custom smelter last week cost as high as 33¢ a lb.—2¢ above the official price.

And users of lead have been buying ahead at flat prices instead of the familiar "date of delivery" averages.

A real guessing game, though, is what will happen to steel prices and, to a lesser extent, aluminum.

Many in the metal trades are betting that aluminum ingot will go up with wages in August. And some types of steel will be costing more as warehouse concessions disappear.

The betting still is against an across-the-board increase in steel this year —but that doesn't rule out selective ones. (This week's cut in stainless merely reflects continuing low volume for this product.)

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BW June 3, 1961
Number 1657

BUSINESS WEEK

The newest frontier

Dollars for man to moon

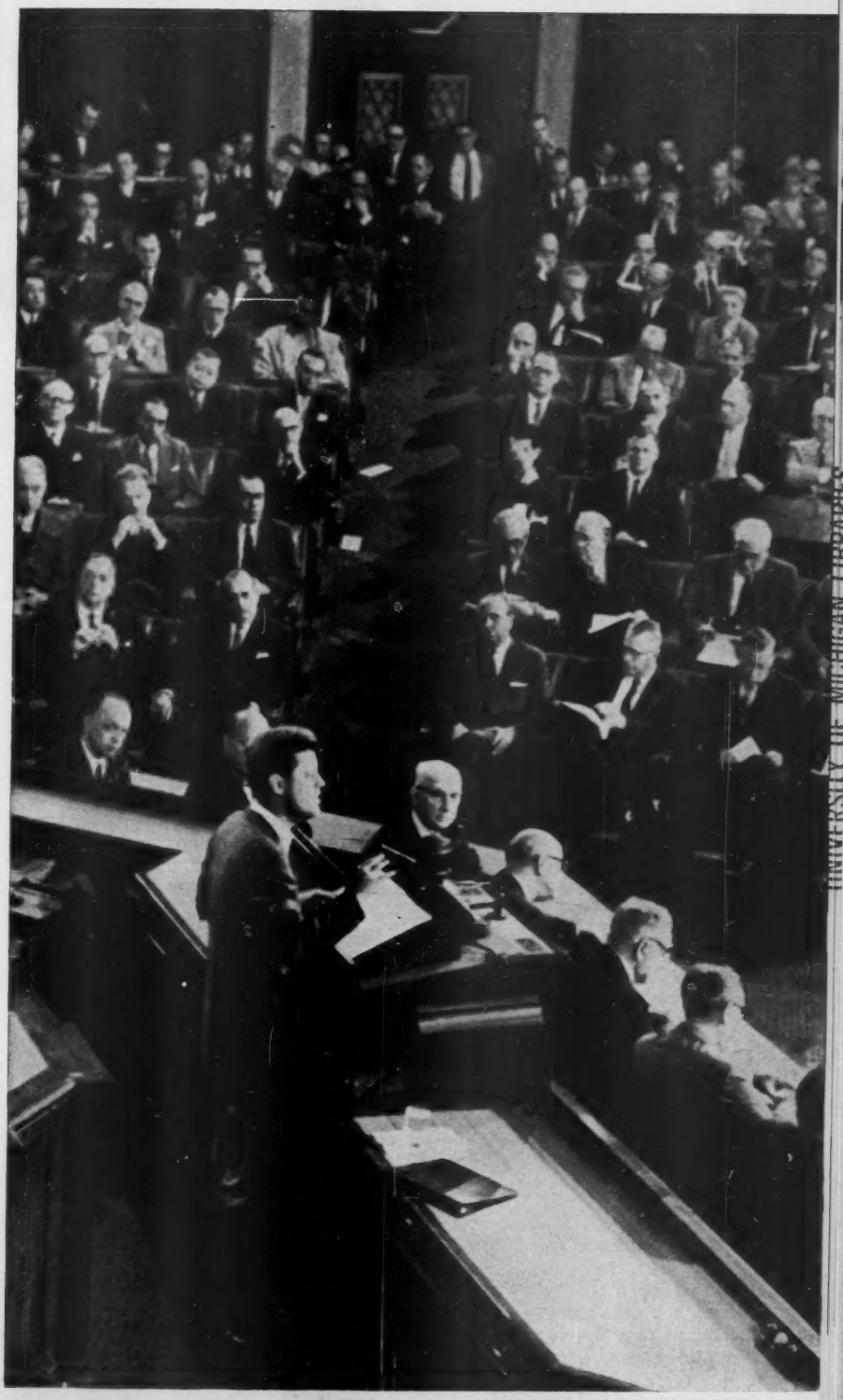
The Administration hopes business comeback will provide the needed money

Pres. Kennedy's recommendations to Congress for a major effort to beat the Soviet Union to the moon are linked to the Administration's belief (1) that the economy is robust and getting healthier and (2) that, rather than deficits, there will be Treasury surpluses to manage in the years ahead.

This analysis comes a week after the President's second State of the Union address to Congress. He couched that message in optimistic terms to give him, frankly, a mantle of national resolve with which to meet Soviet Premier Khrushchev face-to-face in Vienna this weekend.

In short, the White House has concluded that traditional anti-recession measures are unneeded, except for chronic depression areas, and that the nation has the resources for researching a race to space and for paying the bill while still maintaining economic and military security.

Support at home. The President left for Europe to meet his ally, Charles de Gaulle, and his adversary, Nikita Khrushchev, after two partisan demonstrations of support at home—Democratic fund-raising dinners in Washington and Boston celebrating his 44th birthday. He also left with confidence that Congress will give him the $754-million in additional spending he asked for the 1962 fiscal year, which would



Joint session of Congress in House chamber heard President urge moon effort

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boost his first federal budget to $85-billion.

Most of the additional money he asked for would be dedicated to sending a man to the moon and back before 1970 and, perhaps, before the Russians could do it.

He had rejected the political pressures put upon him to recommend $1-billion in new money for public works projects to stimulate the economy.

Fiscal effect. The deficit increase of $754-million would put fiscal 1962 $5-billion or so into the red. But it would be more than offset in the following year. Estimates of at least a $4-billion surplus in fiscal 1963, which begins in July, 1962, give rise to Administration consideration of a tax cut next year.

The new program will have little if any impact on the economy the rest of this year. The Council of Economic Advisers and other government officials, after giving weight to the new proposals, still estimate fourth-quarter gross national product at an annual rate of around $530-billion.

The President's added programs—for space, for training the unemployed, and the rest—add $754-million to an earlier estimate of $84.2-billion in expenditures for fiscal 1962. New obligational authority, which commits the government to future spending, totals $1.6-billion.

Beneficiaries. The biggest single benefit from the increased spending goes to suppliers of the developers of the huge missile engines that will now be rushed. In addition, new funds will be poured into communications facilities, instruments, design and development of the space vehicles. Some Army suppliers will be getting orders for more weapons to fight conventional and unconventional wars, but the dollar volume involved is only a fraction of the new spending planned for space projects.

The White House included no estimates for fallout shelters and other civil defense measures. Kennedy suggested in his message that the present civil defense budget of $104-million might eventually be tripled. But it may be quite some time before any program is recommended—and when one does come, Congress is likely to give it the cold shoulder.

Added billions. All told, the new programs don't show much of a percentage increase in the total federal budget. But they do show up as around a 10% increase in federal purchases of goods and services, an indicator of how much money federal programs funnel out to business.

Before Kennedy's message, the economists figured that federal purchases of goods and services would hit an annual rate of $57.2-billion in the second quarter of next year; now they have increased this to $57.7-billion. This would put the annual rate $3-billion higher than it was during the first quarter of this year.

Over the long haul, too, Kennedy would pour many extra billions into the space programs over a much shorter period of time than had been planned. His estimate of $7-billion to $9-billion over the next five years is thought to be on the low side, if a crash program is actually pursued.

No one knows for sure, but space experts in Washington and those attending the Tulsa "peaceful uses of space" exposition last week (story at right) guess that Kennedy's proposed manned round-trip to the moon could mean total outlays of, say, $40-billion or more.

Tax question. Republican critics in Congress are wondering out loud about the size of the deficit that all this might entail.

The key Kennedy statement is this:

"I am not requesting additional taxes to finance the very urgent requests I am making today—for our present tax structure and resources are more than sufficient to support them without a budget deficit, if our economy moves ahead."

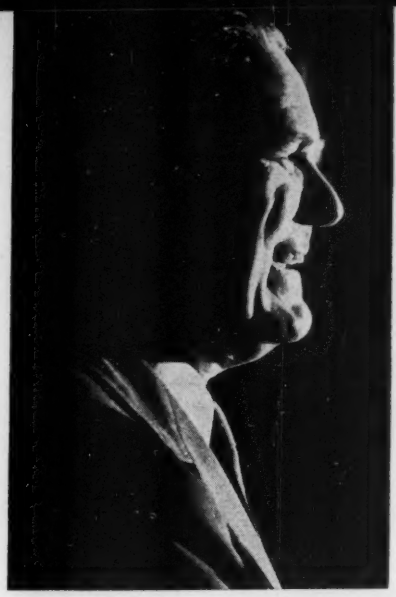
What Kennedy has in mind—and what his advisers are now discussing freely—is the prospect that the economic upturn will start pulling in tax revenues swiftly enough to more than offset his spending increases.

Kennedy and his aides are keeping a sharp eye on the present recovery and the accompanying surge of revenues as corporate profits increase. If the economy keeps moving vigorously upward, as they expect, they figure they will be in a position to recommend a tax cut.

Views on cut. CEA and the Treasury aren't counting their tax cuts before they're hatched. But Treasury Secy. Douglas Dillon has already said that lower income tax rates all up and down the scale are being considered as part of the tax reform that Kennedy has promised for next year.

Walter W. Heller, chairman of CEA, has also said that a cut is under consideration. He suggests though that a decision has to be made as to whether the potential surplus should be parceled out in spending programs, handed back to the individual consumer or investor, or for debt reduction.

Some Republicans and, privately, some Democrats look at the spending proposals and jump to a sharper conclusion: "There goes the tax cut."



James E. Webb, NASA administrator, tells audience failure to step up space effort would jeopardize nation's future.

The moon by 1967 or bust

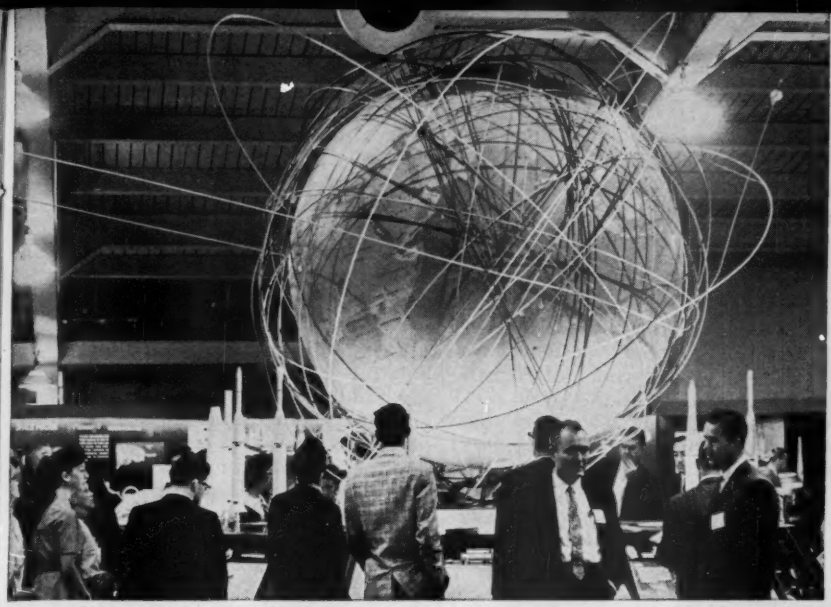
Space experts at Tulsa conference are briefed on stepped-up U. S. plans

Can the U. S. put a man on the moon and bring him back safely to earth before the Russians do it?

The question has a staggering simplicity to it—almost as if one were asking for the best routing from New York to Tulsa by commercial airlines.

But the answer will involve the greatest and costliest research effort ever launched by the U. S. government. And it will materially affect the economic posture of the U. S. for many years to come.

Go for broke. The cream of the aerospace industry attending the First National Conference on the Peaceful Uses of Space, in Tulsa, Okla., last week, (pictures) was seething with excitement over Pres. Kennedy's appeal to Congress for $7-billion to $9-billion to get to the moon by 1967. There had been a



Delegates inspect exhibit at Tulsa space conference. More than 1,200 came to hear industry and NASA spokesmen report on various aspects of civilian space program. NASA already has allocations for $1.8-billion for space in fiscal 1962.

go-for-broke tone in Kennedy's voice as he asked for an immediate boost of $531-million for early work on the moon landing program; his request for an additional $23-million for work on Project Rover (a nuclear rocket with which explorers could journey beyond the moon) seemed to indicate that he—at least—was prepared to spare no expense to insure the fact that the U. S. would not be second—in the new space age.

In a keynote address to the space conference, Sen. Robert S. Kerr (D-Okla.) predicted flatly that the President's request for a vastly stepped-up space effort would pass Congress with little trouble. "The costs will be tremendous," admitted Kerr, "but the rewards will be unlimited."

What it takes. "We have the science, we have the technology, we have the resources and we have the manpower and knowhow to do the job," echoed James E. Webb, newly appointed administrator of the National Aeronautics & Space Administration. "Not to do it would jeopardize the nation's future."

An overflow audience heard Webb (above left) explain that the President's decision to go for the moon had come as a direct result of the Mercury (man-in-space) program. Kennedy realized, Webb reported, that the key to the U. S. regaining its position of acknowledged technical supremacy in the world lay beyond one-man spaceships. Successful as the first U. S. manned ballistic firing had been (BW—May13'61,p72), it could not compete in the eyes of the world with the Soviet feat of putting a man into earth orbit and bringing him back unharmed.

For the more spectacular missions—the launching of men and equipment into long voyages of deep space, lunar, and planetary exploration—the U. S. would need greater rocket power, larger spaceships, and more elaborate equipment right down the line.

Somewhere between $7-billion and $9-billion would make a respectable start in this direction.

Four giant steps. Essentially, as outlined to the industry by a panel of experts from NASA (pictures, page 20) the U. S. will make the jump from the earth to the moon in four steps.

1. First will be a series of unmanned earth orbital flights using a converted Atlas as a first-stage booster. The first of these is scheduled for firing from Cape Canaveral (weather permitting) on June 12.

2. Next will come manned earth orbits—in a Mercury—and then an Apollo (three-passenger) space capsule. These should start late this year.

3. Then there will be a series of "circumlunar" flights in Apollo.

4. And finally, will come a lunar landing of two men and equipment on the moon's surface. (The target date for this is 1967, but many scientists are saying that if all the stops were pulled out, it might be possible by 1965.)

Use of the Atlas in early manned flights will signal the end of Project Mercury, and the beginning of Project Apollo, explained George M. Low, chief of NASA's manned space flight program. Mercury will be continued for a while—to train space



Space scientist Dr. Wernher von Braun, director of George C. Marshall Space Flight Center, is developing Saturn rocket booster.

pilots for more difficult flights. But the race for the moon will put the emphasis from here on out on Apollo.

Choice plum. Apollo thereby becomes a major contract plum, that will be put up for grabs probably early next year.

Some of the requirements for Apollo are known. It will weigh about 150,000 lb. (75 tons), must be constructed to withstand the high stresses of the launching, and must be able to be guided and steered (perhaps on dog-leg courses) to a predetermined spot on the moon's surface. Within the moon's gravitational field, it must be capable of landing gently in a precise manner —and must be able to be relaunched by its crew and guided back to a safe re-entry and recovery on the earth.

Big booster. To launch a 75-ton vehicle and push it up to escape velocity (25,000 mph.) will require a booster some 30 to 50 times as powerful as the ICBM Atlas. And in this direction, more money can be funneled immediately, NASA spokesmen say. At least three steps will be required before such a booster rocket can be developed, though.

First step will be the Saturn C-I, the big 1.5-million-lb. thrust liquid-clustered rocket, now being assembled under the direction of Dr. Wernher von Braun at the George C. Marshall Space Flight Center at Huntsville, Ala. This will be the first of the giant boosters that will be used in the man-on-the-moon race.

Standing about 18 stories high, Saturn C-I will be able to be used to test Apollo in manned earth orbits. Its second stage will be powered by six hydrogen-oxygen engines, each developing 15,000-lb. thrust. This second stage is now under development by the Douglas Aircraft Co., Inc., of Santa Monica, Calif.

Offspring. Following the Saturn C-I will be the Saturn C-II, which will have a completely new second stage. This new engine (a stepup in the development of hydrogen engines—from 15,000 lb. to 200,000 lb. of thrust) is already designed by Rocketdyne, a division of North American Aviation, Inc.

Whereas Saturn C-I will be able to put 10 tons of payload (or 3 men) into low earth orbit, Saturn C-II will be able to orbit manned or unmanned payloads of more than 22 tons around the earth, soft-land a 1½-ton payload on the moon, or put instruments on Mars and Venus.

Saturn C-III, described at the space conference for the first time, will represent a radical departure over the other Saturns in that it will be powered by two huge new kerosene engines—each of which will be able to develop 1.5-million lb. of thrust. Saturn C-III will be capable of putting almost 50 tons in earth orbit or flying a multiple crew around the moon and back.

Enter Nova. For manned moon landings, however, even Saturn C-III will not be powerful enough to handle the assignment. This is where Nova comes in.

Nova, says NASA, now represents the most direct approach to manned planetary and lunar exploration. It will cluster eight 1.5-million-lb. engines (designated as F-1 engines) in its first stage—and will offer an escape payload of up to 70 tons.

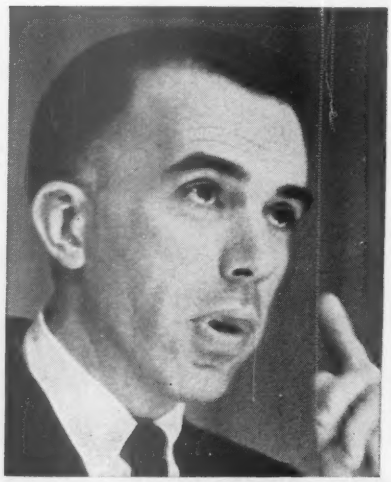
With Nova, predicts von Braun, the U. S. could land a locomotive on the moon if it chose to put one there. More importantly, Nova will be able to carry Apollo, with a three-man crew, to the moon and return it to earth, leaving behind 20 tons of supplies and equipment.

With a nuclear third stage (such as Rover), Nova could put Apollo into orbit around Mars and bring it back to earth again.

Big solids. The 1.5-million-lb. liquid F-1 engine thereby becomes the building block toward which the U. S. space program is aiming at the present, says Webb. But, under the new Kennedy dictum, NASA won't depend on liquid rockets entirely. A parallel development program will be carried on in the field of solid propellants—in the hope that solids will be able to overcome some of their basic handicaps (page 42) and put the U. S. on the moon—even before 1967. Funds will be funneled into solids, promises Webb, as fast as the field can profitably soak them up.

Webb's attitude on big solid boosters reflects the new mood of NASA officials toward all space-related projects. Under the $7-billion to $9-billion requested for the next five years will come fresh new money for communications satellites, weather satellites, and even mapping satellites.

Halfway measures have been made virtually obsolete by the Kennedy decision to go for the moon. And industry—as shown by the rush to the Tulsa conference—is impressed by what this will mean in terms of dollars for new research, development, and construction contracts.



Edgar M. Cortright of NASA's Office of Lunar & Planetary Programs tells about moon probes to pave way for man.



Abe Silverstein, head of NASA's space flight projects, says U. S.' technical prestige depends on success in space.



Harold B. Finger heads AEC-NASA program to develop a nuclear rocket to take man to moon and beyond.

In metals, it's almost a boom

Strong upturn in second quarter helps both steel and nonferrous metals. But already, there are some indications of a leveling off to dampen the joy

Metals in general, and steel in particular, moved up strongly in the second quarter. In 60 days or less, performance has almost reversed the outlook, which widely had called for a steady but gradual climb throughout the year. Now, the guessing concentrates on whether both ferrous and nonferrous materials will lead the economy into a stronger-than-expected upturn.

You can't properly call it a boom. For one thing, the April-May spurt has returned activity to levels that look much more nearly normal than boomy. For another, there's some reason to figure, this week, that a leveling-off has set in on the April-May rate of gain, particularly in steel. But there isn't any question that, as compared with the first quarter, happy days are here again.

Turnaround. Steel, for example, boosted its weekly production rate better than 20% between the first week of April and the last week of May.

Aluminum saw enough of a business bounce in the first six weeks of the second quarter to talk in terms of a 10% boost for the second quarter. One producer, Kaiser Aluminum & Chemical Corp., restored considerable idle capacity even though stocks of primary metal in the trade stayed very high.

Copper weighed in with two price increases—perhaps the most persuasive recovery indicator—and speculation persists regarding even higher prices.

Lead, the weakest metal for some time, thrived in May, when sales figured to be the best in almost a year and a half. As a result, it bubbles with the same price-increase fever that copper finally realized and that has infected steelmen.

Tin looks for a year in which consumption exceeds demand, if only slightly.

Zinc alone isn't experiencing much excitement. It has had a brisk year as a coating for galvanized steel sheets. But it has considerable competition in the huge automotive market, where for years it has been the basic material for many castings. Like steel, therefore, zinc is merchandising aggressively against the promotional selling that aluminum and plastics have been beaming at the car builders.

What now. With so much progress already in hand, today's major interest lies in the third-quarter performance. Steel, for example, ordinarily tapers off some during July and August, then comes back briskly in September and moves up for a strong fourth quarter. Broadly, that's the pattern steelmakers anticipate this year, but with this difference:

The April-May pickup has been strong enough that quite a few important producers have been speculating that the third quarter will be modestly better than the second. They figure steel inventories are so low that ingot production is geared quite precisely to manufacturing. Hence, with business moving up generally, they figure steel simply can't move down in spite of widespread vacation shutdowns.

June ought to be a pretty good indicator as to how sound a guess that is. But already there's some reason for skepticism—simply because the faster-than-expected rate of gain during April and May already has begun to taper.

Quick reaction. Plainly, what has happened is that when business generally ended its drop and started its turnaround in March, steel felt the impact immediately—as expected. For months, steelmakers had been predicting that when inventory cutting ended, steel necessarily would get an immediate boost, simply to provide enough metal to maintain industrial production at levels existing during inventory cutting. It was that reversal that caused the 26% increase in weekly production between mid-March and mid-May. Since then, steel has returned to the gradual but steady climb that had been predicted for it throughout the year.

On such a basis, steel's hope in the third quarter is for manufacturing to chew up more steel, steadily.

Aluminum. Predictably, aluminum's upturn has been less dramatic. If for no other reason, that's because at the time steel inventory cutting ended, in February, producers' stocks of primary aluminum were at record highs. Those stocks were lowered by almost 10% through April and are expected to show a further drop in May. That would mean four consecutive months of shipments greater than production, and it was enough to reverse the production plans of at least one major producer—Kaiser.

Between Apr. 24 and June 1, Kaiser, the third-largest producer, reactivated seven of 12 idle potlines, raising its operating rate from 52% to 82% of capacity. Kaiser had cut back production more drastically than other major producers. And it may well have smaller stocks of primary metal on hand than its competitors. Hence, its spectacular reversal of production plans isn't yet representative of the primary aluminum trade as a whole.

Price talk. In any event, operations in nonferrous metals have improved rapidly enough so that business can look for a spate of price-increase chatter from now on—perhaps even some price increases.

Pretty broadly, of course, steel and aluminum producers both are yearning for better prices—and have been for a long time. Their justifications differ somewhat, but, jointly, these two industries have been showing declining earnings for months while labor costs climbed. Now, with business turned around and headed upward, there's more talk about increases than has been realistic for months.

Aluminum, which raises wages in August and which has suffered from a good deal more price cutting than steel has, ought to be the first to move if either can. But steel raises wages Oct. 1, and it has not moved on base prices for almost three years. Already, it has surged past the operating levels at which it instituted price increases successfully twice in the past.

You can't be at all positive that either can raise its base prices broadly and make it stick. But you'd have to guess that steel's prospects of doing so are the better.

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Busload of "freedom riders" heads for Jackson, Miss., bus station, and arrest.

Seeking a damper for racial strife

Administration moves to head off violence by edging "freedom ride" issue into courts and ICC; Montgomery businessmen act to take a moderating role

The tension of racial strife surrounding the "freedom rides" eased this week as the Administration attempted to head off further violence by edging the issue into the courts.

Atty. Gen. Robert F. Kennedy asked the Interstate Commerce Commission to issue regulations spelling out desegregation requirements in interstate buses and bus station facilities. Desegregation was ordered by the ICC in 1955 and upheld by the courts, but never effectively enforced in many Southern areas. In some cases state and local laws requiring segregation conflict with the federal law affecting interstate travel, thus leaving transportation companies in a difficult position.

Greyhound Corp. executives, however, insist that the company complies fully with federal law, that it so instructs all employees, and discharges those who do not comply. A spokesman for Transcontinental Bus System, Inc., which operates Continental Trailways, says the central office in Dallas maintains a "hands off" policy in regard to operating subsidiaries.

Relief. At midweek there was a sigh of relief in Washington that the explosiveness seemed to be bled out of the situation—and, knock on wood, that integrationist pressures could be kept channeled into legal proceedings, thus avoiding mob violence.

Publicly, the Administration stuck up for the riders' right to travel unmolested in desegregated buses and bus stations. Privately, government officials were annoyed and irritated at the timing—which made the U.S. look bad abroad.

Crucial steps. Most officials felt that calling out U.S. marshals instead of paratroopers was the saving strike. Alabamans generally recognized that if local police could not or would not cope with the violence, federal authority had to be used.

There was no doubt in the mind of the Attorney General that if the marshals could not keep order troops would be sent in. Publicly, Robert Kennedy assumed the pose of an Attorney General concerned only with keeping the peace. Privately, he was on the phone regularly to key Southern congressmen and senators urging them to keep their statements moderate, and promising not to back the freedom riders himself except by providing the protection of the law.

Southern voices. Pres. Kennedy kept out of it officially except to issue a statement calling for law and order. But the President's fear that besides the damage to the U.S. image, Southerners in Congress would react against his legislative program proved unfounded.

Even the Alabama congressmen merely pointed out that Gov. John M. Patterson had assured them Alabama could keep order without outside help, and urged withdrawal of the marshals.

Business reaction. For Montgomery, Ala., businessmen, the freedom riders and the violence surrounding them meant a loss of business, community disruption, and a black eye before the nation. While national guardsmen and federal marshals roamed the city, fewer people were downtown.

Businessmen worried even more over the long-range impression. "We do care about the image of Montgomery," says one spokesman. "I don't condone violence for a minute," adds Walter Kennedy, president of the First National Bank, who says that "a few people came from outside the state in connection with social change, and were set upon and roughly treated by a few people who don't represent the thinking of this community at all."

Taking a role. Such a widespread feeling led chamber of Commerce Pres. Edgar W. Stuart to call an extraordinary meeting on the Saturday night following the mob violence. Says banker Kennedy, "The people who ordinarily exert leadership in Montgomery were there; it would take 30 days to get them together under ordinary circumstances." They roundly criticized the freedom riders, but called on all citizens to avoid the trouble that "plays into the hands of agitators."

Some are urging the business community to continue to play a role, to counteract the vociferousness of extremists. Absence of police at the bus station when the riders arrived might have been avoided, says one businessman, if the town's real feelings had been more clearly understood.

Billion-dollar prize spurs integration

Marietta, Ga., and Lockheed had that much at stake in contract for jet transports. Company has agreed with Presidential committee about ending discrimination

The Kennedy Administration, in its effort to improve race relations by legal means (page 22), intends to use its control over government contracts to spread a broad anti-discrimination program beyond actual work on federal projects.

The President's Committee on Equal Employment Opportunity in its first test case with Lockheed Aircraft Corp. reveals the full range of its aims. Not only did the committee wrap up a no-discrimination program for the company's Marietta (Ga.) plant, which has the federal contract, but also throughout Lockheed's nine divisions employing 60,000 workers across the country.

Last week, in White House ceremonies, Lockheed Pres. Courtlandt S. Gross and Vice-Pres. Lyndon B. Johnson, the committee's chairman, signed a joint statement on a "plan for progress" at Lockheed. It spells out in detail the methods for giving Negroes and other minority groups the right to employment, upgrading, and full use of plant facilities.

Lockheed, the government's largest contractor, agreed to follow the rules throughout the company, regardless of the kind of work.

Test case. Actually, the President's committee has the power to eliminate discrimination only on government contracts over $10,000. However, its vice-chairman, Jerry R. Holleman, an Assistant Secretary of Labor, said: "We hope to get similar cooperation in programs with other major contractors."

This was the Johnson committee's first case since it was set up last March under an executive order.

With more than 100 complaints in its files, the committee chose Lockheed for the first test, following public charges by the National Assn. for the Advancement of Colored People that the Marietta plant discriminated against Negroes on the job and in segregation of lunchroom, restroom, and recreational facilities.

Broad remedy. The agreement between Lockheed and the committee covers the full range of issues. Not only have the "white" and "colored" signs been removed from plant facilities, but the company also pledges to bring Negroes into its training programs and into its skilled and professional jobs. It extends even to the customs of the community. For instance, the Georgia State Employment Service has agreed not to discriminate in job referrals to Lockheed.

Or-else basis. The Lockheed agreement apparently is broad enough to satisfy the Negro employees who complained of discrimination. The NAACP's labor secretary, Herbert Hill, who forwarded the complaints to the Johnson committee, said he was "very pleased."

How white employees at Marietta, accustomed to segregation, will react remains to be seen. However, a spokesman for the International Assn. of Machinists commented that the workers realized what was at stake if they resisted. Johnson and other committee members had made clear that cancellation of the $1-billion contract to manufacture jet transports at Marietta was the alternative.

Long struggle. Complaints of discrimination at Lockheed's Marietta plant have been before the government for five years, although Lockheed for years has had a nondiscrimination program there that included placing Negroes in units of white employees. But, the committee noted, "such a policy sometimes falls short of full implementation." Currently, Marietta's 10,000 workers include about 5,000 Negroes.

The committee's efforts with Lockheed began last April, after receipt of complaints from 32 employees. John G. Feild, the committee's executive secretary, began quiet negotiations with company officials, both at Marietta and at headquarters in California.

The committee made a point of working in secret, as it intends to do in handling complaints against other government contractors. "We are seeking to avoid publicity," Holleman said. "We're working through cooperation, not through compulsion or threats. We don't want to blacken anyone's name."

Taking effect. Even with a five-point anti-discrimination program now on paper, and in some cases already in effect, the committee doesn't expect the "full force" of the program to be felt at Lockheed for 18 months or so.

Employment at Marietta has fallen off by 10,000 since 1957—including many Negroes already employed at the plant. With the new jet contract, the company anticipates hiring 1,800 employees by the end of the year and another 1,500 by mid-1963. However, before the new hiring and upgrading policies go into effect, the last 3,500 laid-off employees must first be recalled.

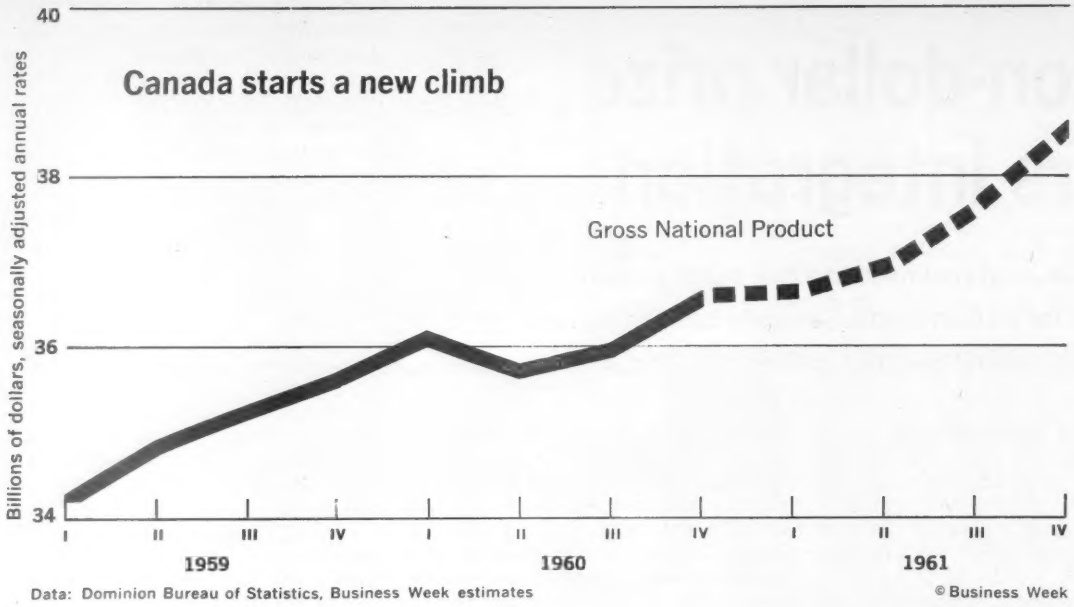
New policies. Before that happens, however, the company will put these new procedures into effect:

1. It is reactivating its apprenticeship program and will seek out qualified Negroes, "particularly through the Negro high schools in the area."
2. It has begun to recruit professional aircraft engineers through newspapers, including the Negro press. (It has already hired one Negro engineer and a Negro secretary.)
3. In reassignment of jobs and upgrading, Lockheed will analyze the experience of Negro employees and bring these to the attention of supervisors.
4. After that, training programs will be desegregated. The Georgia Dept. of Education has agreed to desegregated classes. So far, the company has been unable to reach agreement with the Cobb County Board of Education, and it has warned that it will go elsewhere for vocational training unless the county board gives in.

Original investigation. The investigations of discrimination were actually carried on by the Air Force as the contracting agency. It found that time clocks, restrooms, and recreational programs were segregated, that there was only one Negro technician and one professional employee at the plant, that no Negroes had taken part in apprentice training programs, that the Machinists union had a segregated local.

Since then, the Negro local of IAM has merged with three other locals, the plant facilities have been desegregated, and employees are no longer identified by race on their time cards.

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Canada's turn for the better

Its economy is finally coming out of its long slump, with the business pickup in the U. S. and the European boom giving a boost to all important exports

Canada's economy, after four straight winters of discontent, is suddenly on the brink of a period of solid advance (chart).

Since 1956, Canada has been plagued by slow growth, thin profit margins, chronic unemployment, and balance-of-payments strains. These problems seemed to be coming to a head in 1960; last spring, Canada suffered from one of the severest dips in its postwar history. Although the decline was halted last winter, the economy developed no real strength during the remainder of the year. As 1961 opened, Canadian economists expected more of the same; even the most optimistic anticipated no better than a sideways movement.

Export gains. This mood has changed during the past couple of weeks. Canadian economists are now sold on the reality of the upturn in the U. S. economy. With exports amounting to about 20% of gross national product, as against 5% in the U. S., Canadian business, directly or indirectly, lives by foreign trade. And the U. S. is Canada's most important foreign customer, accounting in most years for about 50% of Canada's export receipts.

Accordingly, the upswing in the U. S., which will lead to a rise in Canada's south-of-the-border sales, is expected to provide the catalyst needed to start Canada's economy—sluggish so far this year—moving up in the second half.

Actually, the improvement in the U. S. economy is all that was needed to put some steam into the Canadian recovery. In most other respects, Canada already had been doing surprisingly well since its severe dip in the second quarter of 1960.

Canada bounded back fast from that dip—much faster than the U. S. recovered from its recession. Behind the quick recovery was a strong export picture. In 1960, Canadian exports rose to $7-billion, 4.2% over 1959. This gain was made in the face of a 4.5% decline in sales to the U. S. The biggest offsetting gains were made in trade with the Common Market countries, up 38%; Japan, up 27.4%; and the United Kingdom, up 16.5%.

Although Canada's exports were off slightly during the first two months of 1961, its economists nevertheless are confident that 1961 as a whole will see export gains exceeding those of the preceding year, as the U. S. recovery and the continuing European boom increase the demand for Canadian raw materials.

Iron Curtain sales. Canadian exports will get an added boost from grain sales behind the Iron Curtain. Taking its customers where it could find them, Canada contracted last year to deliver substantial quantities of grain to Red China and Czechoslovakia. And last month, Canadian Agriculture Minister Alvin Hamilton concluded the largest single sale in Canada's history, as Red China, suffering from three successive years of poor crops, bought $362-million worth of wheat, barley, and flour for delivery over a 30-month period.

Strong medicine. The Canadian recovery will get further stimulus from strong government fiscal medicine. Spending by Canadian governmental units will rise only moderately in 1961—perhaps by $200-million. But the chief contribu-

tion to recovery that the Canadian government has been making, and will continue to make, lies in substantial federal deficits. During fiscal 1960-61—the government's fiscal year runs from Apr. 1 to Mar. 31—the government added about $350-million to Canada's stream of income by running a deficit of that amount. In the opinion of many Canadian economists, this deficit—which was larger, relative to the size of the economy, than the one run by the U. S. government over the same period—played an important role in limiting the length of the Canadian recession to one quarter as compared to the three quarter decline in the U. S.

Having checked 1960's decline, Canadian government fiscal policy is providing strong support for 1961's recovery. No official government estimate of the size of the fiscal 1961-62 deficit has yet been made. But the Canadian Tax Foundation estimates the deficit for the current fiscal year at about $700-million; and this figure is considered conservative by some Canadian fiscal experts. Because the U. S. economy is roughly 14 times the size of the Canadian economy, a comparable deficit for the U. S. would be $9.8-billion.

Domestic demand. Powered by this fiscal medicine, and by rising exports, Canada's domestic demand will also increase this year. Canadian economists now expect consumption to total $24.5-billion for the year, up about 5% from 1960. And 1961 capital spending by Canadian businesses, estimated at $4.6-billion by the Canadian Dept. of Trade & Commerce last March, is now expected to exceed that figure since Canadian businessmen, like their counterparts in the U. S., tend to raise their capital spending during business upswings.

Adding up the totals for their economy, Canadian business economists now think that by the time the results for 1961 are in, Canada's GNP will be up by 3½% to 4% from 1960's $36-billion level.

Tax boosts. The improvement in the Canadian outlook is also welcome news to businessmen in the U. S. It will mean better sales prospects in their biggest single export market.

Equally important, the waning of the Canadian recession has already improved the climate for U. S. business operating in Canada. It now looks as though the relatively modest tax boosts on foreign business contained in Finance Minister Donald M. Fleming's emergency budget completed, for this year, the nationalist measures that Canada plans to take to deal with its economic difficulties. The measures were introduced last December, when Canada's economic prospects seemed bleakest (BW—Jan.7'61,p52).

Tariff veto. The other provision of the December emergency budget aimed at U. S. business, a bill to give Canada's Minister of Revenue arbitrary and final rights to raise tariffs on goods "of approximately the same class or kind" as those already produced in Canada, has run into trouble in the Canadian Senate—an appointive body that ordinarily serves as a rubber stamp for bills passed by the House of Commons. The Senate has not yet voted on this bill. But Ottawa observers now think that the Senate's Liberal majority will send it back to the House of Commons for a series of amendments that will weaken the government's power to raise tariffs.

Unemployment factor. Although Canadian businessmen and economists are now convinced that the recovery is a strong one—and will gather strength from the simultaneous expansion in the U. S.—they are not yet ready to drop the longer-term worries they acquired during the slow years from 1956 to 1960. During that period, output expanded by just over 1% per year—while the labor force was growing by more than 2½% per year. This was due both to the natural increase of population and heavy immigration in the earlier part of the period. In consequence, average levels of unemployment have advanced steadily.

Investment lag. The reason for the slow years, the economists think, was the falloff in heavy investment after the postwar investment boom gave Canada more than adequate capacity to meet its own and foreign demands for Canadian resources. Whether a resumption of U. S. growth, combined with the European boom, can now touch off a fresh wave of Canadian capital spending is the key question. Its answer will determine whether recovery now in progress is only a temporary relief from Canada's persistent structural weakness—or the start of another great leap forward.

Airline clubs under fire

CAB Bureau rules out clubs offering airport lounges, other privileges to members

The government may strip away a favorite status symbol enjoyed by a large but select group of airline passengers—principally business executives and public officials.

After a long investigation, the Civil Aeronautics Board's Bureau of Enforcement has concluded that the exclusive or semi-exclusive clubs that airlines operate without charge for favorite passengers are illegal.

Many airlines grant their club members special privileges or the use of private lounges at airports. This, the bureau says, amounts to unlawful discrimination against nonmember passengers who pay the same prices for their tickets. The bureau's finding is subject to appeal to the five members of the CAB, however.

Covey of clubs. Some of the major clubs are American Airlines' Admirals Club, Trans World Airlines' Ambassadors Club, Pan American World Airways' Clipper Club, and Continental Air Lines' Presidents Club. All of these maintain special lounges at big airports where members may relax with cocktails, cards, soft music, and television, or do paper work in quiet surroundings while waiting for flights.

Other airlines operate clubs that do not provide airport lounges but give members special recognition such as handsomely framed membership certificates, lapel pins, special baggage tags, and quick mailings of new schedules. United Air Lines' 100,000-Mile Club falls into this category.

These, too, are unlawful in the bureau's opinion if they extend to members privileges that discriminate against nonmembers, such as preferential treatment in obtaining reservations.

Official warning. The bureau issued its finding without naming any specific club as unlawful. But last week it notified all certificated domestic airlines and foreign airlines operating in the U. S. that it intends to act against those clubs that it consides unlawful.

The bureau gave the airlines three choices; they may: (1) act voluntarily to abolish their clubs, (2) open them to all comers, or (3) ask the CAB to set standards under which the clubs might operate. It gave the carriers 30 days in which to express their views. So far, none has.

UNIVERSITY OF MICHIGAN LIBRARIES

In business

BW

Kennedy to name first Fed governor as Szymczak ends long tenure

Pres. Kennedy gets his first chance to name one of the seven members of the Board of Governors of the Federal Reserve System, following the resignation this week of M. S. Szymczak, on the board since 1933. Szymczak, who has been known as the "professional governor" because of his long service, decided to leave before the end of his term in January, 1962. Kennedy's new appointee would likely be reappointed to fill out the full 14-year term that begins then.

Candidates being discussed at midweek included: **former Rep. Joseph W. Barr of Indiana,** former member of the House Banking Committee who is now Treasury Secy. Douglas Dillon's assistant in charge of Congressional liaison; **Frederick L. Deming, president of the Federal Reserve Bank of Minneapolis** since 1957; and **George W. Mitchell, vice-president of the Federal Reserve Bank of Chicago.**

Blue law bans on Sunday selling upheld by Supreme Court

Blue laws in three states were held constitutional this week by the U. S. Supreme Court. Chief Justice Earl Warren, for the majority, indicated that so long as state laws on Sunday closing are not based on religious grounds, the court would not quarrel with them.

Laws in Maryland, Pennsylvania, and Massachusetts were attacked by merchants and Orthodox Jews who claimed they violated the First Amendment ban on establishment of religion and the 14th Amendment guarantee of equal protection under the law.

On the first point, Warren said that all the laws undoubtedly were based originally on religious grounds, but that their character had changed and that now they are principally secular laws.

On the second point, Warren upheld the right of state legislatures to prohibit Sunday commercial activity and said, in effect, that any conflict with religious belief was an unfortunate result that could only be resolved by the states.

The ruling may hit some discounters hard; many do a big percentage of their business on Sunday. Steve Masters, president, Masters, Inc., discount chain, says as long as the closings are statewide he does not object. Another discounter feels the ruling will simply step up merchandising pressure for other days than Sunday. Department stores traditionally opposed the Sunday openings. The ruling, some feel, will encourage states that lack blue laws to pass them, may cause some to tighten loopholes in present laws.

In another decision, the court said that a striking union can picket a "reserve gate" if the employees using it are engaged in the "normal operations" of the plant.

In 1958, when the International Union of Electrical Workers struck General Electric's appliance plant in Louisville, the company set aside one gate for contractors' employees. When IUE blocked this gate with pickets, GE charged an illegal secondary boycott, and the National Labor Relations Board agreed.

The Supreme Court, however, made a distinction between employees—such as construction workers—who are not vital to daily plant operations, and those who are—such as maintenance workers and suppliers. The court said that in the GE case the record did not show how many vital employees used the reserved gate, and it sent the case back to NLRB for a finding on this point.

Also this week, **du Pont moved to ease the 10-year period allowed it by the court to dispose of its 63-million shares of General Motors stock.** Du Pont urged that the limit should be set by the federal district court that will eventually rule on the final method of disposition. Du Pont said that a longer period might well ease the tax hardships arising from the divestiture.

Lederle drug cures or arrests one rare form of cancer

A chemical developed by the Lederle Laboratories Div. of American Cyanamid Co. is credited with having effected cures of one form of cancer.

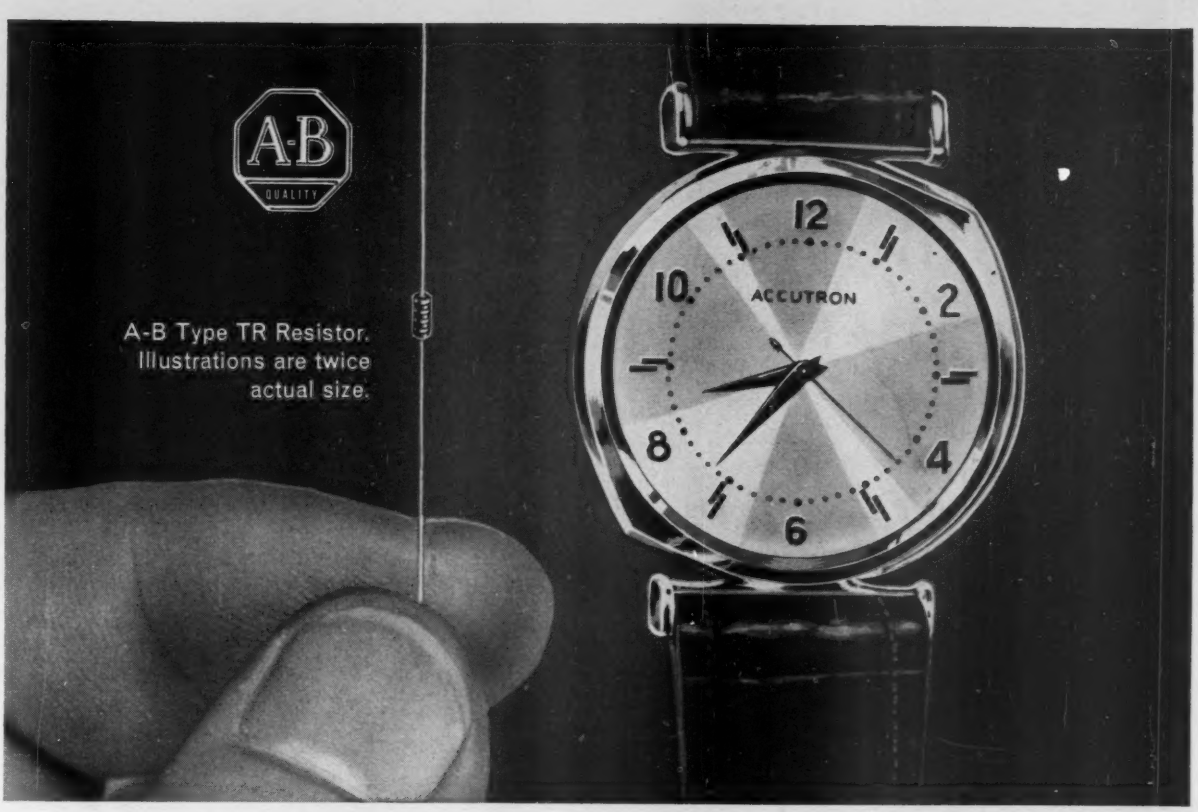
Surgeon General Luther Terry hailed the drug, **methotrexate,** as a milestone in cancer work after it was used successfully at the National Cancer Institute. In tests on 63 patients, the drug cured or arrested nearly half of the cases of a rare form of cancer that develops in the wombs of pregnant women.

Researchers warn that no one drug will ever serve as a cure-all for the many different diseases included in the general term of cancer.

Hearings set on bill to divorce auto makers from finance subsidiaries

Hearings on a bill that would force auto makers to divorce themselves from finance subsidiaries will open next week. Chmn. Emanuel Celler of the House Judiciary Committee has introduced the measure, which is aimed mostly at General Motors subsidiary, General Motors Acceptance Corp. Ford Motor Co. also has a finance subsidiary, the Ford Motor Credit Co.

Celler's antitrust and monopoly subcommittee has scheduled five days of hearings starting June 7. The presidents of the leading auto makers, officials of independent finance companies, Lee Loevinger, head of the Antitrust Div. of the Justice Dept., and Paul Rand Dixon, chairman of the Federal Trade Commission have been invited to testify.

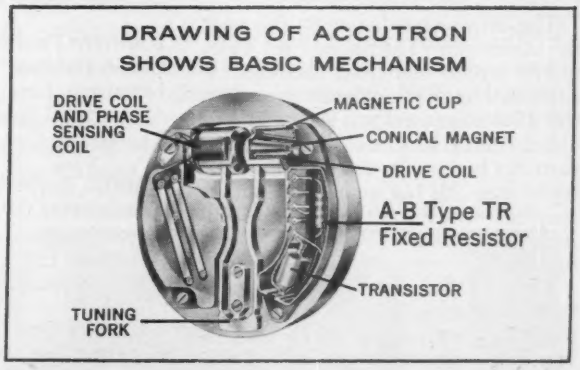


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Earnings held firm in slump

List of $50-million-plus companies lost eight, added four during 1960

Despite the recession, U. S. corporations managed to turn in a relatively favorable earnings performance in 1960. Although the list of non-financial companies that earned $50-million or more after taxes shrank to 53 from last year's 57, the majority of the companies that remained on the roster registered profit increases.

There were some significant shuffles in the list. Four companies—Sinclair Oil, Southern California Edison, El Paso Natural Gas, and National Dairy Products—bucked the tide of generally receding business activity to enter the charmed circle of top earners. Eight companies that made the grade in 1959 dropped out—Alcoa, American Cyanamid, American Motors, Anaconda, Libbey-Owens-Ford, National Steel, J. C. Penney and Weyerhaeuser.

The list was headed again this year by American Telephone & Telegraph, which increased earnings by 8.9%. Although the gain was less than the 17% increase that last year enabled AT&T to crack the $1-billion earnings barrier for the first time, the boost was still big enough to put its earnings well above the all-time earnings record set by General Motors in 1955.

Over-all, the oil industry made the best showing with gains ranging up to 13.7% for Gulf and 16.7% for Sinclair. In consumer-oriented fields, R. J. Reynolds Tobacco increased earnings 16.5%, Procter & Gamble 20.1%, and A&P 13.5%.

Profit performance was mixed among the autos, steels, and chemicals. The rails barely stayed even at best.

The traditional growth companies registered impressive gains: IBM's profits rose 15.5%, Minnesota Mining's 11.2%, and Western Electric's 21.8%.

Net profits in millions	Fiscal 1959	Rank	Fiscal 1960	Rank	% change 1960 vs. 1959
American Tel. & Tel.	$1,148.8(a)	1	$1,251.0(a)	1	+ 8.9%
General Motors	873.1	2	959.0	2	+ 9.8
Standard Oil (N.J.)	629.8	3	688.6	3	+ 9.3
Ford Motor	451.4	4	427.9	4	− 5.2
Texaco	354.3	6	391.8	5	+10.6
Du Pont	418.7	5	381.4	6	− 8.9
Gulf Oil	290.5	7	330.3	7	+13.7
U. S. Steel	254.6	9	304.2	8	+19.5
Standard Oil (Cal.)	253.6	10	266.1	9	+ 4.9
General Electric	280.2	8	200.1	10	−28.6
Sears, Roebuck (††)	198.7	11	192.2	11	− 3.4
Socony Mobil	164.0	13	182.6	12	+11.3
Int'l. Bus. Mach.	145.6	15	168.2	13	+15.5
Union Carbide	171.6	12	158.0	14	− 7.9
Standard Oil (Ind.)	139.6	16	144.8	15	+ 3.7
Shell Oil	147.4	14	144.6	16	− 1.9
Eastman Kodak	124.7	17	127.1	17	+ 1.9
Western Electric	102.2	20	124.5	18	+21.8
Bethlehem Steel	117.2	18	121.2	19	+ 3.4
Phillips Petroleum	104.6	19	112.9	20	+ 7.9
R. J. Reynolds	90.4	21	105.3	21	+16.5
Procter & Gamble (†)	81.7	25	98.1	22	+20.1
Pacific Gas & Elec.	84.7	23	92.6	23	+ 9.3
Dow Chemical (▲)	62.9	38	82.4	24	+31.0
Westinghouse Elec.	85.9	22	79.1	25	− 8.6
Commonwealth Ed.	72.5	29	77.9	26	+ 7.5
Kennecott	57.3	44	77.4	27	+35.1
General Tel. & Elec.	72.3	30	72.4(b)	28	+ 0.7
Consolidated Ed.	68.8	32	71.8	29	+ 4.4
International Paper	83.6	24	71.7	30	−14.2
Goodyear Tire	76.0	28	71.0	31	− 6.6
Minn. Min. Mfg.	63.6	36	70.7	32	+11.2
Armco Steel	77.1	26	70.5	33	− 9.4
Monsanto	53.5	R	67.8(c)	34	+26.7
General Foods	61.1(d)	40	66.8(d)	35	+ 9.3
Southern Pacific	69.8	31	65.4	36	− 6.7
Union Pacific	64.8	34	65.3	37	+ 0.8
Firestone Tire (e)	64.6	35	65.0	38	+ 0.6
American Tobacco	63.2	37	62.5(f)	39	− 1.1
Tennessee Gas Trans.	52.4	53	61.6	40	+17.6
Norfolk & Western	60.7	*	61.2	41	+ 0.7
Continental Oil	60.3	42	61.2	42	+ 1.5
Great A & P	52.0	51	59.0(g)	43	+13.5
American Elec. Power	53.6	50	58.3	44	+ 8.6
Int'l. Harvester (e)	84.3	R	53.7	45	−36.3
Republic Steel	53.9	48	52.8	46	− 2.1
Sinclair Oil	45.0	N	52.5	47	+16.7
Santa Fe	65.8	33	51.6	48	−27.5
Allied Chemical	50.0	57	51.3	49	+ 2.5
So. Cal. Edison	43.4	N	51.0	50	+17.5
El Paso Nat. Gas	36.9	N	50.9	51	+37.9
National Dairy	49.4	N	50.7	52	+ 2.6
National Lead	52.5	52	50.2	53	− 4.4

(a) includes proportionate interest in unconsolidated subsidiaries; (†) years ended June 30; (††) years ended Jan. 31, 1961 and Jan. 31, 1960; (b) 1960 includes results of British Columbia Telephone; (c) 1960 includes accounts of the Chemstrand Corp.; R—1959 restated to consolidate foreign operations; (d) years ended Mar. 31, 1961 and Mar. 31, 1960; (e) fiscal years end Oct. 31; (f) after provision for losses in Cuba; N not on 1959 list; *—includes Virginian Ry. figures prior to merger Dec. 1, 1959; rank had been 55th; (g) year ended Feb. 25, 1961; ▲—years end May 31.

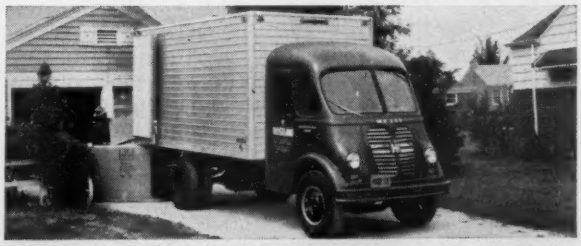
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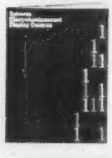
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Key bank case goes to trial

Antitrust Div. tries new line of attack to halt merger of banks in Philadelphia

A key case in the Justice Dept.'s drive to halt the trend toward the big bank mergers comes to trial next week in the U. S. District Court in Philadelphia. The outcome will be watched anxiously by bankers all over the country.

Justice's Antitrust Div. has intervened to block several bank mergers or holding company combinations—in Philadelphia, Lexington, Ky., and Milwaukee (BW—Mar.11'61,p52). But its effort to prevent the merger of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank is the first to come to trial.

New angle. Justice claims the merger of the two banks, the city's second and third in size, to form the city's largest, violates the antitrust laws because it will reduce competition among Philadelphia area banks. But what actually is at stake is a new interpretation—proposed by Justice attorneys—of the Clayton Antitrust Act.

Until now, the courts have ruled that bank asset acquisitions—Philadelphia National and Girard fit into this category—do not come under the Clayton Act. This has meant that Justice, to block a proposed merger, has had to prove a violation of the Sherman Act, which requires a severe impact on competition before a merger can be stopped.

Justice is now claiming that bank asset acquisitions are in reality stock acquisitions, which the Clayton Act covers. But just in case the court rules against this, Justice is also claiming a Sherman Act violation.

Effects. The Philadelphia merger was approved by the Comptroller of the Currency over Justice Dept. objections. If Justice wins the case, the Comptroller is almost certain to pay more attention to its objections, perhaps even to deny any proposed merger if Justice disapproves.

The two banks are expected to claim that the merger would actually increase banking competition, since it would enable them to compete for loans with larger banks in New York, Pittsburgh, and elsewhere. **End**

Washington outlook BW

June 3, 1961

Drive against price rises next for Administration

A case against steel price increases is quietly being prepared by the Administration.

It's for use if the industry seems likely to raise prices later this year as predicted in some circles.

The study is only the first move in what will be a strong effort to hold down prices during the brisk business recovery that the Administration expects over the next 18 months.

There is no serious thought of formal price controls.

But Pres. Kennedy will be quicker than former Pres. Eisenhower to use the full prestige of the White House to try to crystallize anti-price-rise sentiment in the country.

The Administration wants to avoid a period like that of 1955-57, when business was expanding rapidly and the cost of finished goods used in production rose 18% on the wholesale price index.

Government economists are combing through steel company records, seeking evidence that the industry does not need higher prices and that an increase cannot be justified by costs.

This material is primarily for White House use now. **Later it may be turned over to the President's Committee on Labor-Management,** which Kennedy looks to as a stabilizing influence on both prices and wages.

Anti-inflation policy takes a new direction

Behind the concern over prices is a shift in the Administration's economic thinking, now that recovery is under way.

More attention will be given to the prospect of inflation.

This does not mean an across-the-board anti-inflation policy of the kind that Eisenhower might have ordered, with a big surplus in the federal budget and a tightening of credit.

Here is how Kennedy's key advisers see the next 18 months or so:

There is plenty of slack in the economy to absorb a strong rise in activity without inflation of the classic type, in which price rises are caused by an excess of demand.

The advisers do not see how classical inflation can be much of a threat at least until unemployment drops from its present 6.9% of the labor force to around 4%. This may not come until 1963.

But inflation of the cost-push type, in which wage increases lead to price increases, is seen as a threat anytime, now that the recession is over.

This is the type the Administration is getting ready to combat.

A long auto strike this summer might weaken the upward pressure on steel prices but would hurt the recovery drive, Administration experts fear. This is why Labor Secy. Arthur J. Goldberg told a Detroit audience that a strike would be "intolerable"—which the industry takes as a warning of swift intervention if a deadlock seems to be developing.

Dillon outflanks Democratic critics

Democrats of the New Frontier—who revere a sure political instinct as the first law of survival—are watching with awe and admiration the way Treasury Secy. Douglas Dillon increases his influence in the Administration.

Dillon is on his way to becoming the most potent voice in Washington on domestic policy, next to Kennedy himself.

But as a Republican and as the only Cabinet-level holdover from the

Eisenhower Administration, he has special problems. He has highly vocal critics in Congress, for example, chiefly among Democratic liberals on the Joint Economic Committee and elsewhere. Now Dillon has moved to outflank these critics.

He has organized a panel of leading economists—all with impeccable credentials from the Democratic Party—to advise him on policy matters such as taxes, monetary policy, debt management, and the international balance of payments.

At the panel's first meeting last week, for example, members agreed with Dillon that the balance-of-payments situation is still a grave problem and that, as a result, **this is no time to press for lower short-term interest rates.** In a couple of weeks, the Joint Economic Committee is going to start hearings into the balance of payments.

Dillon plans to consult the panel every few weeks.

It's headed by Seymour Harris of Harvard and contains such figures as Paul A. Samuelson of MIT, Isador Lubin of Rutgers, Roy Blough of Columbia, Gerhard Colm of the National Planning Assn., Arthur Smithies of Harvard, and Alvin H. Hansen of Harvard.

Two-party trend helps Tower win

Democrats are doing their best to write off the election of Republican John G. Tower to the Senate as a one-shot vagary of Texas state politics.

It's partly that. **Liberal Democrats either stayed at home in last week's election or voted for Tower rather than vote for their party's candidate,** arch-conservative William A. Blakley.

But more is involved.

There is a steady GOP trend in many urban areas of the South as industries move in, creating a class of white-collar managers and professional men. In the South, these men are strongly conservative, and pro-Republican.

The cities of Texas gave Tower his margin over Blakley, just as cities elsewhere in the South are centers of increasing GOP strength.

Why Southerners swing to housing

A multi-billion-dollar housing bill giving Kennedy everything he asked for, and more besides, is moving swiftly through Congress. It is propelled by the votes of Southern conservatives who had been expected to oppose it.

Swift maneuvering is behind the Southern switch.

Southerners opposed the housing bill as long as they thought it might advance the career of Robert C. Weaver, a Negro and Kennedy's chief housing administrator. They were afraid Weaver would be promoted eventually to the Cabinet as the country's first Secretary for Urban Affairs.

Last week, rumors spread that a Southern mayor, perhaps Ben West of Nashville, would get the Urban Affairs job, thus outranking Weaver. **The swing behind the housing bill picked up speed overnight.**

New drive for Sunday closing

Now that the Supreme Court has upheld Sunday closing laws in three states (page 26), **old-line retailers will step up pressure on state legislators to stiffen similar laws everywhere.** The drive will be aimed at discount houses, which have cut deeply into the business of six-days-a-week merchants.

The court warns that **statutes aimed at Sunday selling cannot be based on religious grounds,** but otherwise gives wide latitude to the states.

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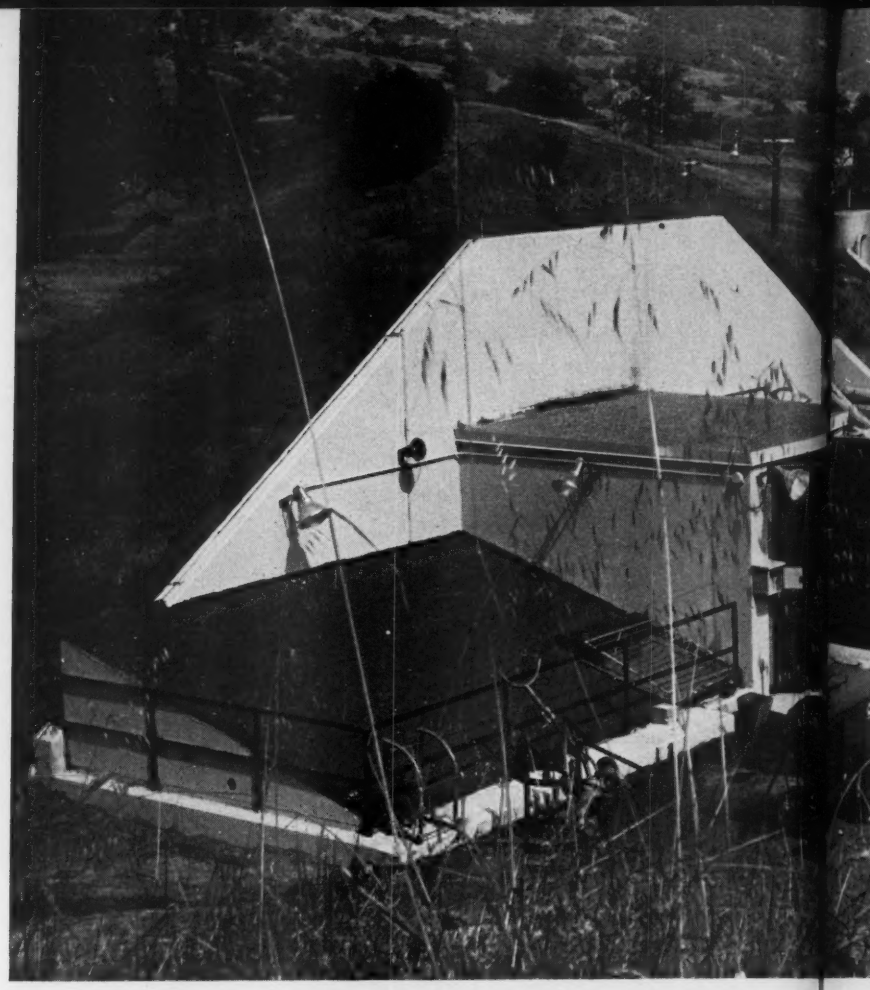
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Fuel is mixed here. It will take 25 or 30 batches of 2,500 gal. each to load the case. Ingredients—fuel and oxidizer—go in on top floor, come out below.

RESEARCH

Solid-fueled rocket nears crucial test

United Aircraft subsidiary expects to test-fire new tapered solid-fuel segment within the next two months with hope it will give U. S. the lead in space race

Development of big solid-fueled rockets has been an orphan of the space age, and it's easy to see why. Postwar rocket development grew out of Hitler's dreaded V-2s, and those missiles were liquid-fueled; the scientists who fashioned them became the nuclei of both the U. S. and the Russian space teams.

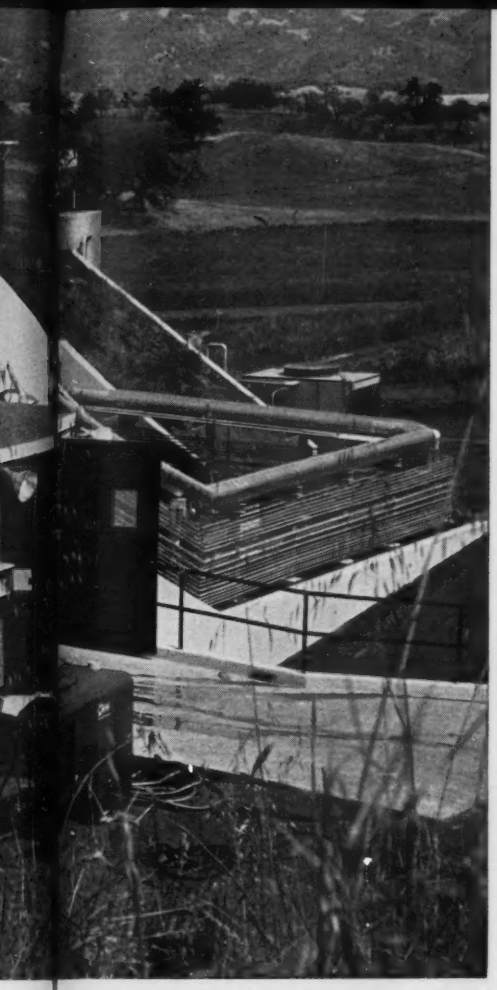
When it became urgent for the U. S. to develop a family of big ballistic missiles, it was natural that the experts would decide to put the bulk of our dollars into development of the propulsion system they knew best, the liquid fuel system. The U.S.S.R. did the same.

Gap in solids. To be sure, the U. S. had successfully developed small solid-fueled rockets during World War II: for the bazooka, for jet-assisted take-offs, and for artillery, planes, and ships. But these were all small rockets, a few inches in diameter. Scaling them up to the formidable sizes needed to orbit a satellite or loft a big payload into interplanetary space was something else.

Solid fuels are simple, but tricky. You can extrude the propellant for a small rocket and load it in a case. But even if you were able to build equipment big and strong enough to extrude a piece of fuel weighing 30 tons, the segment would be difficult if not impossible to handle.

To get around the problem of extruding big pieces of solid fuel, designers tried assembling bundles of small fuel units. This made possible an increase in size and power of solid-fueled rockets, but it created new problems of reliability and uniform burning rates.

The next step was to cast the propellant instead of extruding it. This permitted diameter of the solid propellant to be stepped up from 12-15 in. to 100 in.; it made possible the



Polaris, Minuteman, and other big solid rockets. Yet even this gain was not without penalties.

Solid fuels burn from the inside outward, with the hot gases flowing down the center core and out the tail nozzle. So the core has to be cast with a hole down the middle. The most powerful solid-fuel mixtures have the least structural strength; a fuel that would be ideal for maximum thrust wouldn't be structurally strong enough to retain its shape—it would collapse into an explosive mass.

To gain structural strength, the makers of cast propellants were forced to use less powerful materials. One way they tried to compensate was by making complex-shaped center holes, to provide more burning surface and get more power out of the fuel. This worked sufficiently well to produce the Polaris and Minuteman rockets, but not well enough to match larger liquid rockets in thrust per pound of fuel.

Toward the end of next month or early in August, United Technology



Control room near test bay in California hills provides closed-circuit TV view of rocket on test stand. Here, top engineers of United Technology will sweat it out in late July when they test-fire the first big segment of their solid rocket.



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- Complete understanding of power plant equipment and processes for proper computer application
- A large-scale digital and analog facility for factory testing of programming logic and the computer control system.

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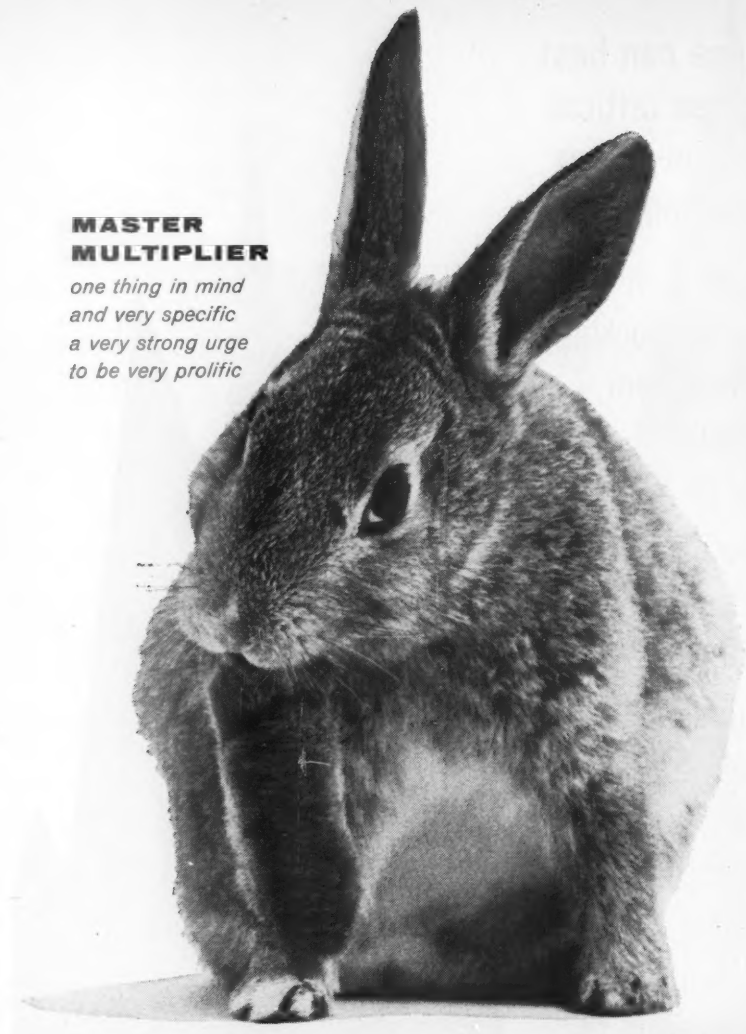
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Corp., a fledgling subsidiary of United Aircraft Corp. (BW—Mar.5 '60,p138), will try a different approach: casting of solid propellants in conical segments that should provide structural strength for more powerful fuels.

Way to leadership. A small but growing knot of scientists regards solid propellants as the quicker, simpler, cheaper, and more reliable path to space leadership for the U.S. Many of these men have been nursing their studies of solid fuels with one hand, as it were, while improving the technology of liquid fuels with the other.

Pres. Kennedy's special message to Congress last week (BW—May27 '61,p36) called for a sharp stepup in space technology, however. More money, he said, must be earmarked for development of solid propellants.

The government is, of course, already sponsoring studies of solid fuels. Grand Central Rocket Co., a 50-50 venture of Lockheed Aircraft Corp. and Petro-Tex Chemical Corp. (itself jointly owned by Tennessee Gas Transmission Co. and Food Machinery & Chemical Corp.), Rocketdyne Div. of North American Aviation, Inc., and others have been working on these studies. And Aerojet-General Corp. has an Air Force contract to develop and test-fire a giant segmented solid-fuel booster whose thrust should surpass anything conceived for liquid fuels.

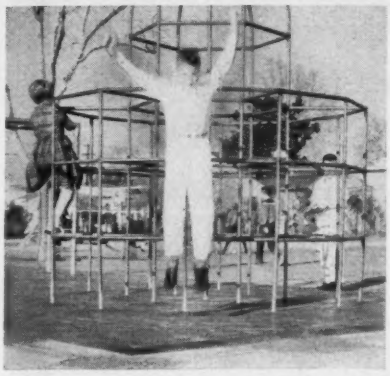
Conical segments. United's design, developed under a $705,000 contract with the National Aeronautics & Space Administration, uses segments that taper instead of being cylindrical like Aerojet's, though.

The first conical segment, designed for 250,000-lb. thrust, will be test-fired in a remote canyon south of San Jose, Calif. late next month or early in August. If it's successful, United plans to hook two segments together for a test-stand shot of 500,000-lb. thrust. Such an engine, weighing 70 tons, would be the world's largest at flight weight in the solid field.

Set that thrust rating alongside those of familiar liquid-fueled rockets—165,000 lb. for Thor and Jupiter, under 400,000 lb. for Atlas and Titan—and you can see that United Technology isn't talking about Fourth of July pyrotechnics at the county fairgrounds. United Aircraft Corp. has put about $30-million of its own resources into the cause of solid fuels and is determined to show that its design concepts are feasible.

Why segments? One objection to solid-fueled boosters has been their size. If you build them big enough for a rigorous space mission, they're too big and heavy to move over high-

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ways and railroads. And if you discover a flaw, getting rid of the loaded rocket is no small problem.

In contrast, liquid-fueled boosters can be fueled at the launching site and be defueled if a flaw develops.

Segmenting the solid-fueled rocket answers some of these objections. You make a cylindrical case of a size you can handle; you load it with fuel, haul it to the launching site, and there bolt together as many segments as a given mission calls for. If one segment betrays a flaw, you can haul it away and substitute a good one.

A few weeks ago, Aerojet's Pres. Dan A. Kimball used cylindrical building blocks to show a Congressional committee how easily they could be joined end to end and how assemblies could be clustered to achieve the desired thrust for any mission.

The tapering shape. United Technology's Exec. Vice-Pres. Barnet R. Adelman, at 34 an old hand in the solid propellant field, gave the same Congressional committee a persuasive argument for the slightly conical shape his company uses for the segments. In United's design, the outer wall is 1.5 degrees out of parallel with the center axis.

Any solid rocket has a hollow core, called the port area, through which the gases of combustion flow at high velocity to give the rocket its propelling force. For ballistic reasons, the thickness of propellant around that hollow core (the "web thickness") must be uniform for the entire length of the rocket, segmented or not. Thus, in a cylinder, uniform web thickness leaves a port area that's uniform throughout its length.

On the other hand, the port area must be big enough to accept the rapidly increasing volume of escaping gases as combustion proceeds. If it can't, what Adelman calls erosive burning, an accelerated destruction of propellant, takes place at the tail end of the rocket.

In cylindrical rockets, this is taken care of by letting the port area needed at the nozzle end determine the port area at the forward end. This, says Adelman, unnecessarily increases the bulk and weight of the vehicle without any gain in payload capability. United keeps the thickness of propellant constant but flares the container out toward the tail, thus providing greater port area at tail than at nose.

Small scale. For more than a year, Adelman's colleagues have been testing the concept of conical segments on a small but increasing scale at their Sunnyvale (Calif.) labs and at the recently completed manufacturing and test site about 30 miles south of San Jose. A few months ago, under NASA contract, they built and successfully tested three models of a rocket engine generating 15,000-lb. thrust.

From that size, they're scaling up to the basic building block of their rocket system—an engine 26½ ft. high with a maximum diameter of about 10 ft. and a weight of 75,000 lb., engineered to develop a thrust of 250,000 lb. Such an engine, with fore and aft closures, can be fired by itself, or segments of equal thrust can be added to fill the requirements of a given mission.

Adelman and Pres. Donald L. Putt are confident that by 1964 UTC can develop flight-weight segmented conical engines generating more than 2-million-lb. thrust, and that such engines could be clustered to develop between 15-million and 20-million-lb. thrust at a considerably lower cost per pound of payload in orbit than anything now known. For a total development cost of $150-million-$200-million, they say they could deliver clusters in the 15-million-to-20-million-lb. class for test flights in 1964 and 1965.

The solid-propellant explosion last week that took nine lives at the Navy's Allegany ballistic lab at Rocket Center, West Virginia, served as a reminder of the hazards in the preparation of solid fuels. UTC meets them with an elaborate system of remote controls and closed circuit television.

Most of the ingredients are prosaic enough—a sirupy synthetic rubber for a binder, an oxidizer of ammonium perchlorate ground to a closely controlled size of particle, a finely powdered metal that serves as a fuel. With these are mixed a number of additives to plasticize and then stabilize the mass and to control the rate of burning.

Under vacuum. The goop is mixed under vacuum and controlled temperature for about half an hour—the time isn't too critical. Then it's carted off to be poured, or cast, into the rocket casing that rests in a giant oven in the ground, 50 ft. deep and 20 ft. in diameter.

After two or three days, under controlled temperature and vacuum, the curing is completed. The central core that shapes the port area of the engine is removed, surplus propellant is machined off the top.

Storage is no particular problem. The propellant doesn't deteriorate rapidly, and although everybody treats the live rocket with awed respect, it would take a pretty stiff jolt to set it off.

Utmost precision in measurement of the ingredients is imperative. **End**



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In research

BW

Boon to cancer treatment seen in spotting of cell's radioactive element

The part of the living cell that carries heredity is also the part that is most sensitive to radiation, according to two scientists at the University of Wisconsin. This discovery could lead to new techniques in protecting people against radiation, and in the treatment of cancer.

The Wisconsin researchers had a hunch that the prime target of radiation was DNA—deoxyribonucleic acid, the chemical in every living cell that determines the transmission of hereditary characteristics.

Scientific literature on the subject was hazy, suggesting that any one of three things—enzymes, the machinery of cell division, or DNA—might be what radiation damaged. But no one was very sure which of these targets caused a cell to die.

Dr. Waclaw Szybalski and Mrs. Zophia Opara-Kubinska attacked the problem methodically. They studied the effect of ultraviolet rays first on cells containing normal DNA, and then on cells containing chemically altered DNA. These last proved to be clearly more sensitive to radiation.

The next step was to extract DNA from both kinds of cells and remeasure its sensitivity. Again, the chemically treated DNA was the more sensitive.

A final measurement was used to cap the demonstration that DNA is indeed the cause of the radiosensitivity of the entire cell. This showed that the increase of sensitivity in the chemically changed DNA was identical to the increase in the whole cells from which it had been extracted.

The experiments were run on both human and animal cells, and checked out exactly.

The next step, according to the elated Wisconsin researchers, is to seek a way to make the DNA in normal cells less sensitive to radiation damage.

GE says electrical energy can provide best radiation shield in space

Shielding a space vehicle with electrical energy—much as the earth is shielded by a belt of electromagnetism—looks like the best way to protect a space traveler from lethal radiation. That's the opinion of General Electric scientists working under a $75,000 contract from the National Aeronautics & Space Administration.

The GE people believe they can produce a lightweight shield using electrical energy, despite major technological problems. **This would rescue the designers of space vehicles from the extreme weight handicap imposed by heavy shielding materials.**

The current calculation is that a vehicle carrying a man safely through the Van Allen radiation belts and into the path of solar flares would need a protective shield equal to 50 lb. of water per square foot. Lead and a combination of other materials can provide an adequate shield, but they are prohibitively heavy.

People on earth are protected from space radiation by the magnetic field created by the North and South Poles, which deflects all but minute amounts of the deadly rays. Space vehicles could be protected in a similar manner with existing equipment, the GE people say—but the setup would be impossibly heavy and complicated. **What's needed is to refine the equipment, making it simpler, lighter, and sturdy enough to stand space travel.**

Lava bed is clue to power potential of underground nuclear blasts

A lake of molten lava in Hawaii offers a unique opportunity for exploring the power potential of subsurface pools of molten rock created by underground nuclear explosions. **Such pools may turn out to be a cheap source of electricity,** according to a RAND Corp. report. If the project is considered now, under the Atomic Energy Commission's Plowshare program, scientists will have important information ready to aid in the planning of test explosions—when and if Pres. Kennedy gives the order to resume underground nuclear testing for peaceful purposes (BW—May13'61,p42).

When the Kilauea volcano erupted in November and December, 1959, RAND says, it left an 80-million-ton lake of molten lava. **RAND calculates that exploitation of the heat in the lava would have tripled the present rate of electricity production on the power-poor island.** It would have meant an extra 25,000 kw. of power each year for the next 10 years.

It would be easier to extract power from the Kilauea lava pool than from any molten pool that might be formed artificially underground by a nuclear explosion. For one thing, **the Kilauea pool is bigger than one that might be created by an underground blast, and since it's near the surface, drilling and probing would be simpler and cheaper.** In addition, the natural lava lake is not radioactive. A bomb-caused underground lava lake would present certain inescapable radiation hazards.

The techniques developed in tapping the heat from the natural lava would be completely adaptable underground, the RAND report says. Scientists from the Livermore Radiation Laboratory in California already have established that **it is relatively easy to break through the crust of a lava pool and drill into molten rock.** Just 20-ft. below the surface of the Kilauea pool they hit temperatures close to 2,000F. This temperature, they calculate, is well below that of the melt proper.

The trick will be to find how best to recover this heat. One method might be to **bubble water through holes cut into the crust into the lava,** and recover the water as superheated steam. Another would be to **inject some gaseous working fluid** into the pool, and recover it as hot gas to move a turbine. A third way would be to **carve out lattice-like holes** through the crusts to serve as counterflow heat exchangers.

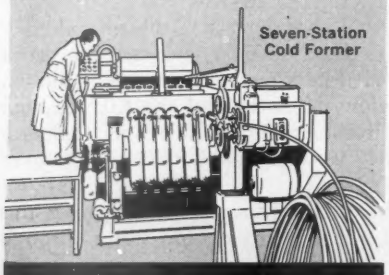


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In new products

BW

Titanium cladding of steel provides metal's advantages without its problems

Titanium-clad steel plate is nearing commercial production at Lukens Steel Co. The material holds promise for applications in products slated for highly corrosive jobs. Pure titanium, highly touted for its corrosion resistance, is disappointingly fractious in the shop; it is hard to shape or weld. Cladding it to steel plate, according to Lukens, makes it a lot easier to form and also cuts costs about 25%. Lukens' first commercial order for the material came from du Pont, amounting to 1½ tons of ⅝-in.-thick material.

Lukens uses a hot rolling technique to get the steel and titanium to stick together with a molecular bond. The company's metallurgists managed to eliminate an interlayer in the bond by developing a method for keeping the surfaces of the steel and titanium unusually clean during processing. Lukens says it can deliver steel with up to 3/16-in.-thick titanium cladding in plate thickness to 1¼ in.

Fairchild markets transistorized facsimile system for long-distance data sending: Scan-A-Fax

Last week the first completely transistorized facsimile communications system made its market debut. **The Industrial Products Div. of Fairchild Camera & Instrument Corp. introduced a "Scan-A-Fax" that is supposed to be more compact than vacuum tube models, cooler to operate, and—thanks to its transistors and printed circuitry—freer from the electronic failures that sometimes plague vacuum tube systems.**

Scan-A-Fax works on basically the same principle as most other facsimile units. A document or piece of copy—hand-written or printed material, charts, or photographs—is fed into a scanner-transmitter.

On the other end of the telephone line or radio circuit, a receiver reproduces the image on sensitized paper. Fairchild's transmitter costs $2,500, the receiver $2,250. Both will be leased, also.

Though Fairchild is first on the market with a transistorized system, at least five other companies plan to turn out fully transistorized systems within the next year or two.

Permacote color prints resist fading; service now available all over the U. S.

Fade-resistant color prints from photo transparencies and color negatives are now available nationally, Berkey Photo Service of New York announced this week.

The process, called Permacote, simply bathes the prints in a transparent chemical solution that is similar to suntan lotion in being **opaque to actinic rays, the ultraviolet radiation that causes both sunburn and most severe color fading in dyes.** The coating does not change the appearance of the photograph or affect color tones. Nor does it change the processing charge—there is no price increase for prints that are Permacoted. The service is available on request at photo service counters.

Berkey Photo, which developed the coating process, is **one of the largest photofinishers in the country, with 1960 sales above $12-million.** The company is growing fast, last week acquired two of the largest photofinishing services in New England: Camera Shop Color Service, Inc., of Framington, Mass., and D. Monosson & Son, Inc., of Boston.

In business abroad

BW

More news about business abroad:
Page 58
Evian talks shape Algeria's future

New British group clamors for entry to European Economic Community

Public clamor for Britain's entry into the European Economic Community (EEC) is growing in London.

It grew louder this week with the launching of a nonpartisan "Common Market Campaign" committee, **supported by some 130 of Britain's most prominent politicians, industrialists, economists, and trade union leaders.** CMC's objective is to assure the British government that it would have widespread public support if and when it decides to take the plunge into EEC.

The new committee is trying to persuade Whitehall that now is the time to hook up with EEC. In a statement, it called on the British government to declare formally its intention to join. It added that the three main obstacles to British membership—the Commonwealth, Britain's agriculture, and association with the European Free Trade Assn. (EFTA)—now can be solved by negotiation. These negotiations depend upon Britain's willingness to accept the Treaty of Rome institutions. This is acceptable to CMC as long as Britain joins a community "in which no one nation will ultimately have the power to veto."

CMC members believe that EEC membership will not damage the Commonwealth, while failure to join might weaken Commonwealth ties. As for home agriculture in general they think it won't be hurt by membership, although certain sectors of it might face stiffer competition. Some arrangement can be made to accommodate other EFTA members, especially those that are neutral, so that Britain won't have to leave them.

Administration urges new incentives for investment in developing nations

The Administration's new foreign aid progam announced last week offers a series of new incentives to private U. S. investors to participate in long-term development of poorer nations around the world. They range from broader investment guarantees and more liberal government loans to private investors, to preferential tax treatment.

Guarantees would be expanded by the proposed new consolidated aid agency against equity losses due to political causes. Losses due to economic sanctions imposed on the host country by other governments, including the U. S., would be covered.

The most novel feature of the proposed program is the "experimental" all-risk guarantees against losses from all causes including those from normal business risks. Under this provision, U. S. officials and the potential investor would decide what the over-all political and business risk involved in a proposed investment was and what share of the total risk should be borne by the government. The government would compensate the investor for the percentage of his loss agreed on in advance.

The objective of all this is to enlist resources in a joint government-private effort to promote economic growth in underdeveloped areas. In exchange for its subsidies, the aid agency would require U. S. investing companies to follow enlightened policies with respect to such things as profit margins, management and labor policies, relations with host governments.

West German spending on ads rises, with newspapers, magazines in the lead

West German advertising expenditures rose sharply last year.

According to figures just released, West German businessmen spent $525-million on ads last year, a 15.4% increase over 1959. Newspaper and magazine ads were the most popular sales promotion means. **They accounted for $475-million of the total.**

One reason for this rapid growth is the increased competition from foreign companies trying to crack into the affluent German market. Another is that in West Germany's fully employed economy, there's a lack of sales personnel. This, added to the growth of self-service shops and short shopping hours, means that the businessmen must appeal to the customer before he enters the shop.

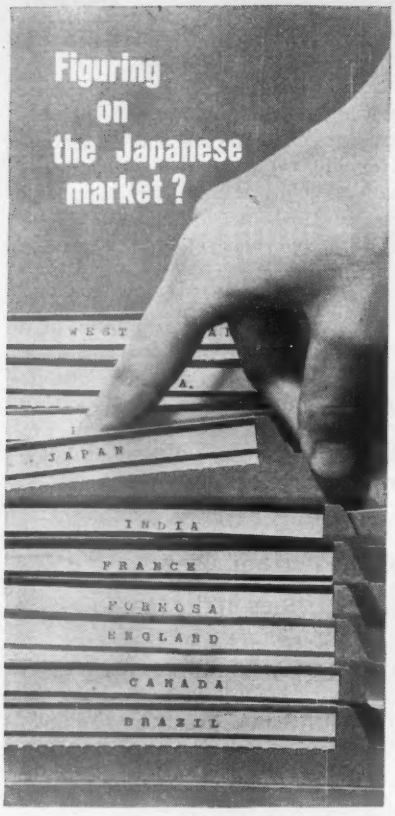
Machinery, textile deals boost fast-growing Russo-Japanese trade

Japan's rapidly expanding trade with Russia got another boost this week with the settling of two big deals between the two countries.

In the first and biggest, Russia contracted to buy $111-million worth of Japanese machinery this year. The following day, Russia agreed to import $3.5-million worth of Japanese rayon textiles.

These deals, together with first-quarter trade figures, dwarf all prior estimates of trade volume between the two countries. **In the first quarter, Japan exported about $6-million worth of goods and imported from Russia about $17.5-million.** However, a trade agreement signed earlier this year called for Japan to export $85-million worth of goods and to import $75-million worth.

What worries some businessmen is how Russia will balance the gap in its trade with Japan. They feel that Russia might start selling oil to the Japanese. That would be unhappy news for the Western companies that are presently supplying the Japanese market.



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Secret talks shape Algeria's economic ties

Negotiations center around finding a way to give Algeria its independence without cutting all France's political and economic links with the North African nation

French officials and Algerian Nationalist (FLN) leaders, after two weeks of cautious probing, are getting down to serious business in their private negotiations at a French spa at Evian, near Geneva.

The real purpose of the Evian talks is to try to evolve a political formula that will permit Algeria to become independent, yet at the same time safeguard French economic and political interests in the North African country.

Among the thorny problems facing negotiators are the future of the Sahara's rich oil deposits and the fate of Algeria's large European population.

It may take months to arrive at a suitable compromise. There is still a sizable risk that talks will fail, that Algeria will slip deeper into guerrilla warfare with increasing cold war implications.

Yet there is more than one sign this week to indicate that a solution may not be too far distant, that France may finally shake off its seven-year-old Algerian nightmare.

Future problems. Success at Evian, however, would permit only an end to Algerian fighting and a start toward a new and very likely independent Algeria. This would be a tremendous step, of course. But some observers claim that the real test for France and its allies will come once the fighting ends and Algeria enters the world arena as a new nation.

Thus, these people say, less attention should be paid to the immediate political formula being negotiated at Evian, more to the make-up of FLN leadership and to Algeria's future economic need.

Collective leadership. The first thing that strikes you about FLN leadership is that it's collective. Of the dozen top FLN officials, no one stands out as a Bourguiba, Sekou Toure, or Castro type. Ferhat Abbas (picture), 62-year-old Prime Minister of the Provisional Algerian Government, carries out policies laid down by the collective leadership. Abbas, while highly respected, actually has less influence in FLN councils than Belkacem Krim, 39-year-old FLN Deputy Prime Minister. Krim, currently leading the FLN delegation at Evian, has a fairly firm grip on FLN foreign and military affairs. But even Krim is subject to checks by his colleagues.

Admittedly, this collective aspect of FLN leadership could fall apart if peace comes. Nearly seven years of waging a guerrilla war against the French have helped to keep FLN leaders from squabbling among themselves. If a falling out does come, complete power is likely to pass from the more moderate types, like Abbas, into the hands of the younger, more militant leaders such as Krim.

Who's who. Then, too, there is a world of difference between the backgrounds of men like Abbas and Krim.

Abbas can hardly speak Arabic. A pharmacist by training, later a deputy in the French National Assembly, Abbas fought hard for close ties between France and Algeria. In 1955, Abbas got fed up with French indifference to his ideas, and joined the rebellion.

Ahmed Francis, FLN Finance Minister, trained as a doctor in Paris, later turned to politics along with Abbas, his brother-in-law.

A similar background of French training surrounds 38-year-old M'Hamed Yazid, FLN's United Nations representative since 1956 and the group's Information Minister since 1958. Yazid professes admiration for many aspects of French life.

Krim, by contrast, is far removed from such French backdrops. His present mission at Evian, in fact, marks the first time he has visited France. A former corporal in the French Army, Krim—condemned to

death five times by the French—has been fighting Paris since 1947, eight years before the present rebellion was unleashed.

Krim's background is paralleled by other FLN officials such as 38-year-old Lakhadar ben Tobbal, Interior Minister, and 35-year-old Abdel Hafid Boussouf, Communications Minister. Some observers claim that the triumvirate of Krim, Tobbal, and Boussouf—who have control of all FLN military affairs—also represents the real FLN power bloc at Tunis.

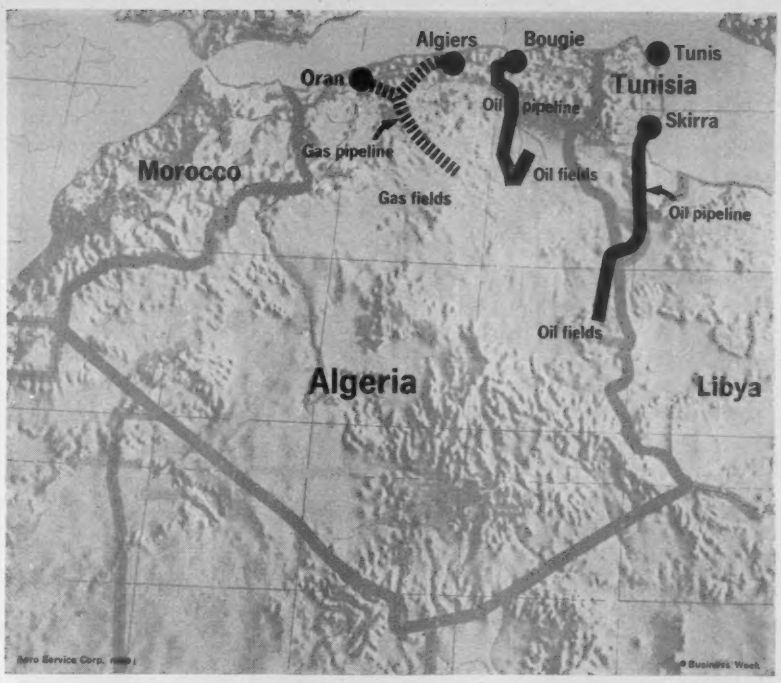
Some FLN leaders may be drifting toward Communism. On the whole, however, private talks with FLN officials don't reveal any firm commitment in East-West politics. The general FLN pitch is that an independent Algeria, even if associated initially with France, will keep on good terms with both camps.

Wobbly economy. How an independent Algeria goes will depend in large measure on its relationship with France and other Western nations. Its ties with France—both political and economic—are presently the central subject of the Evian talks. In the economic sector—and contrary to general belief—there are ample reasons for the FLN to seek a deal with Paris.

Algeria's economy, despite the improvement since Pres. de Gaulle launched the so-called Constantine Economic Plan late in 1958, is in bad shape. Two-thirds of the country's 9-million Moslem population must get by on an annual income of only $50 a head. Some economists put unemployment in Algeria—almost entirely Moslem—at 2-million. There is no doubt one of the country's main sources of income comes from the 300,000 Algerians who work in France to support their families back in Algeria.

Moreover, the country's economic structure makes little sense in terms of an independent Algeria. Wine, for example, still accounts for over half of Algeria's exports. Moslems, by their religious rules, aren't permitted to touch the stuff. Then, too, Algeria's industrial production—on the order of $500-million annually—is concentrated within a narrow and surprising range of products. Algeria still depends on France for most industrial and consumer items. Yet it makes its own freight cars.

This odd-ball economic setup is being changed somewhat by the 1958 Constantine plan. Government guarantees, coupled with tax investments, have brought new industry from France to Algeria, but not nearly enough. It took stiff government pressure to line up French steel interests behind the keystone of the Constantine plan—a $180-million steel complex to be built at Bone, in eastern Algeria.





Algerian nationalist leaders include (left to right) Belkacem Krim, Deputy Prime Minister and leader of the FLN delegation to the French-Algerian peace talks at Evian; Ferhat Abbas, Prime Minister of the Provisional Algerian Government; and Lakhadar ben Tobbal, former Minister of Justice, now Interior Minister.

Aliens lose out. An independent Algeria will mean disaster for tens of thousands of Europeans living in Algeria. European landowners certainly will lose portions of their holdings. More painful will be the lot of thousands of Europeans now holding minor civil service jobs.

Trump cards. But there are plenty of economic reasons why FLN leaders won't casually drive French influence out of Algeria. An independent Algeria will need considerable economic aid. Also, a new government in Algiers at least initially won't want to lose the income sent back by Algerians who work in France. Probably the most important are the Saharan oil and gas fields now tapped by French and Western interests.

When you study the Saharan oil picture, two things become obvious:



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For confidential plant site facts and figures, contact Robert J. George, **The Baltimore Gas and Electric Company,** Baltimore 3, Md.

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BALTIMORE

(1) These fields, still largely untapped, are vital for France—so vital, in fact, that Paris has created what amounts to an artificial marketing setup; and (2) this marketing setup gives French negotiators a trump card in the peace talks at Evian.

In fact, one top French official insists that oil won't be a problem at Evian. To see why this is so, take a look at how Saharan oil is produced and marketed.

For France, Saharan oil has become important both as a new oil source and as a foreign exchange saver. Last year, Saharan wells supplied nearly half of France's oil needs. By 1965, Paris hopes, French crude oil needs will be met mainly from Algerian wells.

Saharan oil production is largely in French hands. It's produced by two government-controlled companies and by France's only international major, Cie. Francaise des Petroles, also largely controlled by the government. Eight U. S. oil companies are involved in various combines, but only Socony Mobil's investment has paid off to date.

Other Western interests are on the scene, but the Paris government roughly speaking controls about 80% of Saharan oil investment. In addition, the government gets 50% of profits on oil sales under a formula established two years ago.

Under present organization, France invests in Algerian economic development the 50% profits it takes from Saharan production. Paris could simply turn over this right to the new Algerian government.

Marketing setup. It's when you turn to the marketing setup for Saharan oil that you begin to see the interest FLN leaders have in coming to terms with the French. The Paris government, in order to assure a market for Saharan oil, obliges French refiners—mostly international majors such as Esso, Shell, and British Petroleum—to buy Saharan crude at a posted price of $2.65 a bbl. Even with discounts ranging up to 15¢ per bbl., refiners pay premium prices for Saharan crude compared with other oil quotations.

Obviously, this sort of commercialization of Algerian resources can't be carried out by the Algerians themselves. This is why many observers are convinced that FLN leaders, when they study this important economic aspect of their arrangement with France, will go along with tight links with Paris—in this field at least. And the French, in order to assure their continued influence in Saharan oil and gas, will have an extra incentive to invest funds in other areas of Algeria's economy. **End**

In management

BW

Corporate gifts to MIT last year topped list of 50 educational institutions

Massachusetts Institute of Technology last year received the largest—$3-million—share of corporate donations of any of the 50 institutions of higher learning surveyed annually by John Price Jones Co., Inc., the fund raisers. The corporate gifts made up less than a sixth of total bequests and gifts to **MIT, which finished in fourth place as an over-all beneficiary behind Harvard, Stanford, and Columbia.**

Harvard cinched first place for 1960 with private gifts of $37.5-million, bringing its gifts over the past 40 years to $441-million—or one-eighth of all the private funds given during the period to the 50 institutions.

Generally, giving to colleges is rising sharply. Benefactions in the past 10 years are 54% of the 40-year total; just for last year, the total was more than 10 times the $28.1-million received 40 years ago.

Absenteeism costs 10% of payroll, say the few companies that count the loss

Companies that figure out the cost of absenteeism say it may run as high as 10% of payroll. But most companies don't take the trouble to count the time lost, much less the cost, according to a survey by the American Management Assn.

The study covered companies ranging from as few as 250 employees to the 5,000-and-over bracket. Of the smallest, 20.1% kept records on absenteeism, while only 14.4% of the largest took the trouble. No one method of coping with absenteeism had anything like majority support, though AMA warned that annual costs may run into billions of dollars unless controls are devised.

New target for public relations—will "initiators" replace "influentials?"

Corporate public relations has just been given a new target by Opinion Research Corp., the Princeton (N.J.) specialist in polls and market studies. ORC's idea is that the traditional thought leaders wooed by corporations —such as doctors, lawyers, politicians—are not the real "influentials"; instead, says ORC, public relations should be aimed at a somewhat different group, which it calls "initiators." They are identified by such things as interest in community affairs.

ORC's initiators include many groups that were listed also as influentials—24% own businesses, 34% are college graduates, 31% have incomes of $10,000 a year or more. **But the new list branches widely from here into the rest of the population, including 12% who are unskilled workers, 20% who didn't finish high school, 24% who make less than $5,000 a year.**

Joseph R. Goeke, managing director of ORC's Public Opinion Index for Industry, gives these reasons why industry should make the new group its prime target:

- They are highly "involved" in the corporate world —that is, more than the average, they either support or criticize big business.
- They are active as voters. More than 60% voted in all of the last five national and local elections, compared with only 49% of professional people.

ORC admits that it hasn't figured out the best way to reach the initiators, but it's searching. **Says Goeke: "If they turn out to have esoteric tastes in media, we're in."**

Moonlighting hotel workers in Hawaii say they prefer two jobs

Management's time-encrusted belief that moonlighting —the holding of two jobs at once—cuts into a worker's efficiency has been severely shaken. A survey of moonlighting hotel employees at Hawaii's Waikiki **finds little difference in their performance and that of non-moonlighters,** according to Estelle Hepton, of the New York State School of Industrial & Labor Relations, at Cornell.

Other items revealed by the survey were that moonlighters on the average were older than non-moonlighters, were more likely to be married, had more dependents, and had worked longer at their occupations. Most of them had been moonlighting for quite a while —one for 10 years, the majority from six months to five years.

The need for more money seemed a secondary cause in Waikiki; a majority of the moonlighters said they just plain liked two jobs, or wanted to keep busy.

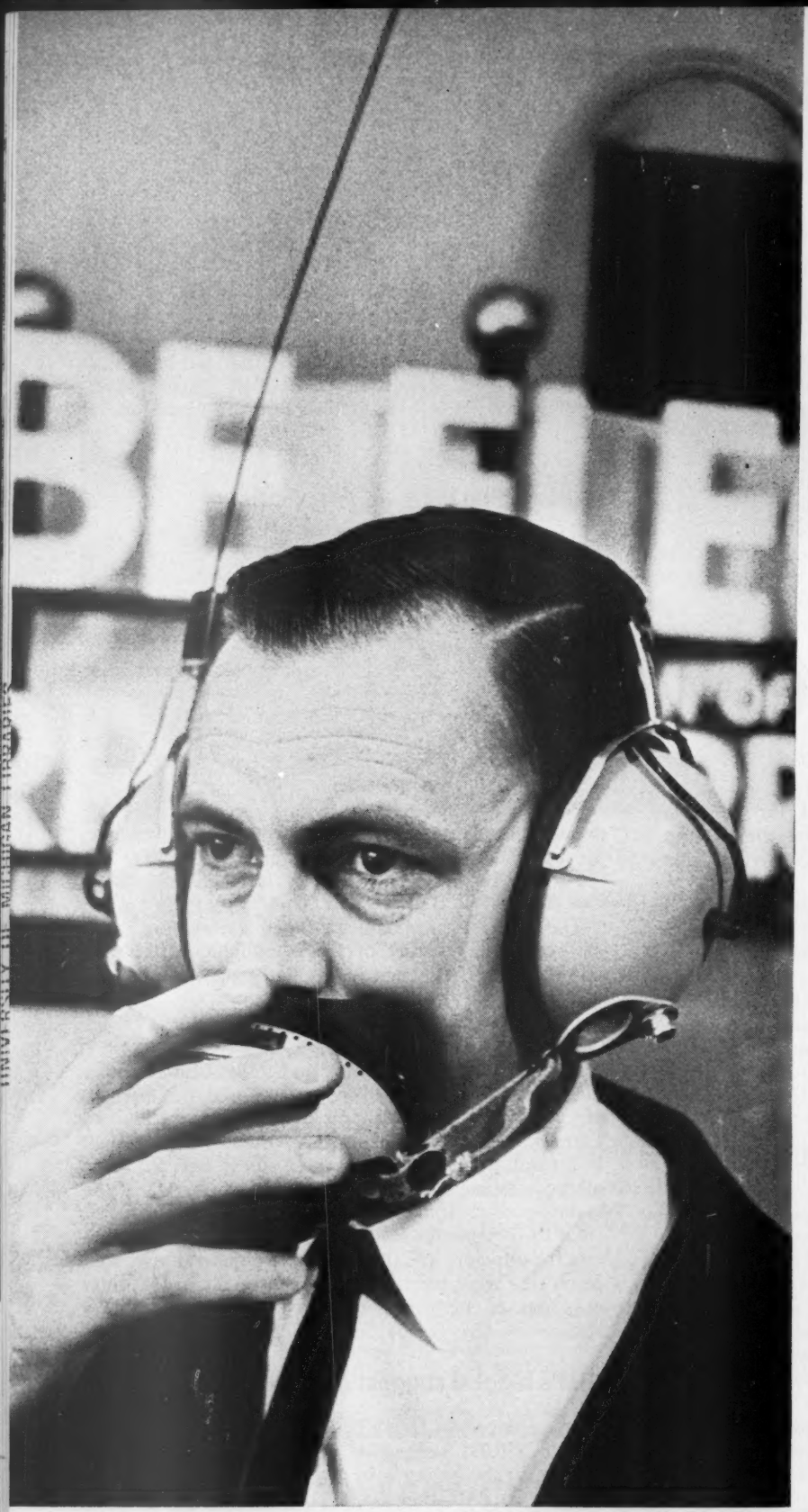
Few directors forced to retire for age

The mild trend toward setting an age limit for company directors is by no means keeping step with the increase of compulsory retirement for executives, according to a survey of U. S. manufacturers reported by the National Industrial Conference Board's Business Record. Most of the companies do not encourage any change in the make-up of their boards.

Of the companies surveyed, 30% had retirement policies for directors, usually by setting a general age limit. In no case were retiring directors given a pension; their only hope of compensation lay in consultant or honorary status.

IBM's biggest suggestion award

Two employees at IBM's Poughkeepsie plant last month split a **$56,031 suggestion prize,** which the company believes is the largest ever awarded. Such prizes are on the rise at IBM—they averaged $550,000 a year for the past decade, but totaled $719,000 in 1960. Last month's big award was for an idea that resulted in the elimination of 14 printed circuit cards from a magnetic tape unit.



All-transistor headset for a private, two-way communications system is hit of electronic parts show in Chicago. It's a 100-milliwatt Citizens Band transceiver, developed by Globe Electronics, with a built-in noise limiter for use in noisy plants, and a one-mile range. Everything, including batteries, is in the headgear.



New Ray-ette 100-milliwatt transceivers for two-way talking are Raytheon Co.'s line; older five-watt model is at rear.

INDUSTRIES

Product rush stirs electronics

Flood of new items swells distributors' problems, points to industry shakedown

The man wearing the Buck Rogers headgear at the left is modeling one of the electronics industry's hottest new products—an all-transistor, 100-milliwatt Citizens Band transceiver. It's a kind of equipment that lets you operate your own, personal, two-way communications system to keep in touch with your office, carrying on your business, or for almost any purpose you want.

Plenty of shirt-pocket-size transceivers—most of them conventionally designed—turned up at last week's National Electronic Parts Distributors show in Chicago, as more and more manufacturers jumped in to grab a share of the fast-growing Citizens Band market.

Manufacturers also showed surprising speed in developing stereophonic adapters for FM receivers



Stereo FM equipment is rushed to show to meet June 1 start of broadcasting; these are GE adapters.



Miniature broadcasting system for stereo FM—only operating stereo FM set at show, since stations weren't yet broadcasting stereo—is rigged up by Majestic International. Broadcasting unit pipes stereo signal to specially converted console.

(BW—May20'61,p124). Although the Federal Communications Commission established standards for stereo FM broadcasting only a month ago, hi-fi components makers had both adapters and full lines ready for the Chicago show (pictures, above).

This rush of new products to grab off new markets typified an industry fast on its feet, but it also pointed up a nagging problem that the electronics industry is only beginning to face—the problem of too many manufacturers selling too many products. Distributors at the show saw as the inevitable result a coming shakedown of manufacturers, and the development of new distribution patterns in the industry.

I. Something for everyone

The reason for the Citizens Band boom is obvious. It offers something to just about everyone. For less than $100 to $400, you can operate your own two-way communications system—without passing an FCC license test—on any of 23 channels set aside by the FCC for CB use (so far, you can pretty much pick your own channel). Salesmen use CB to keep in touch with their offices; boaters to communicate with shore stations. One enterprising bus tour operator equips each of his passengers with transceivers, then softly delivers his spiel into his own unit.

Industry, too, has been quick to use CB equipment for inexpensive, limited-range communication. Typical is the headset model, made by Globe Electronics of Rockville, Ill. (a subsidiary of Textron Electronics, Inc.), for use in such high-noise areas as foundries. Priced under $200, it offers a built-in noise limiter, rechargeable nickel-cadmium batteries, and a range up to one mile.

Five-watt Citizens Band transceivers, priced between $125 and $200, have been available for several years. The 100-milliwatt (or 1/10 of a watt) units, which first appeared last year, are even smaller and cheaper (under $100 in many cases). They can be carried, walkie-talkie fashion. One drawback to the smaller units is that their range is limited to five miles or less, compared to 10 to 25 miles for five-watt models. The limited range on CB is the reason there's little interference on channels.

Growing lure. About 100,000 CB transceivers will be registered with the FCC this year, and transceiver sales should reach 650,000 by 1963, Globe product engineer Francis Christy predicts. "The volume just keeps growing," he adds happily.

That growing volume has helped lure a good many electronics manufacturers into the CB field, such as Cadre Industries Corp. of Endicott, N. Y., which once made only industrial electronics equipment. This year, Cadre introduced a 100-mw. transceiver priced at $124.95 and a five-watt unit at $199.95.

"This is our first time in consumer products," says development engineer Kenneth Watson. "We came in because of the big potential."

New entries. Raytheon Co., a veteran manufacturer of five-watt units, showed its new "Ray-ette" line—two 100-mw. transceivers priced at $79.95 and $99.95—for the first time in Chicago.

There were also some newcomers to the five-watt field. International Telephone & Telegraph Corp. brought out a transistorized, five-channel transceiver at $199.95, while Hallicrafters Co., an old-line manufacturer of communications equipment, showed its first CB transceiver at $149.95.

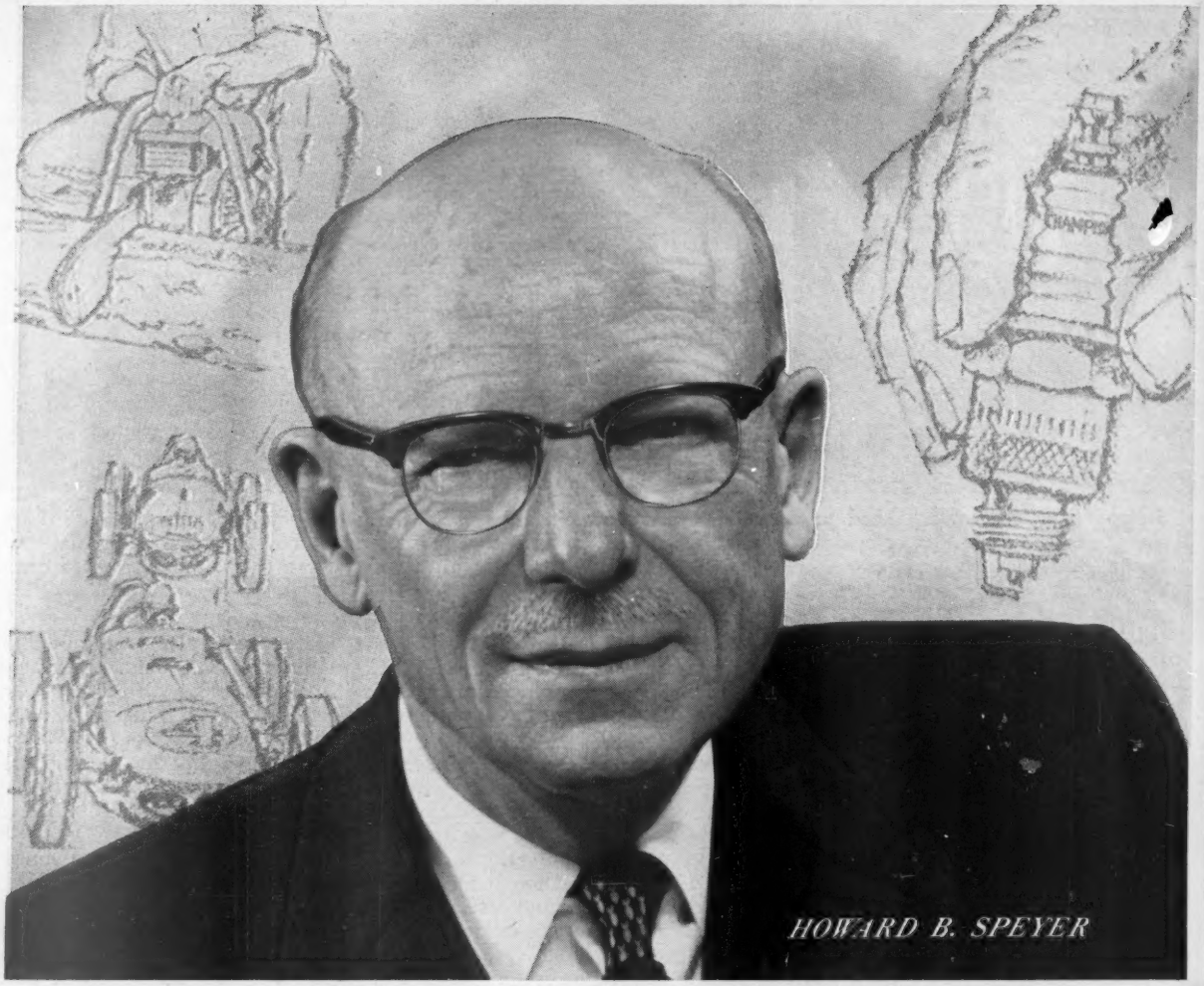
With 50 or more companies in the CB equipment field, some shaking out lies ahead. As one executive sees it: "There'll be a dozen people left in the field in five years, with 100-mw. units taking about 35% of the sales."

II. Stereo boom

Stereo adapters—most of them nonoperating mockups rushed through by hi-fi components manufacturers in time for the show—appeared in two forms: plug-in units to convert existing models within a manufacturer's FM line to stereo; and detached, self-powered units to fit all makes of FM receivers that have provision for stereo.

Plug-in units, priced between $40 and $60—plus a small installation charge with some models—should be on the market early this month, to take advantage of the June 1 start of FM stereo broadcasting. Self-powered units, most of them in the $60-to-$100 range, should be available by late summer.

One company, Majestic International of Chicago (a division of Wilcoy-Gay Corp.), rigged up a working stereo FM receiver. Since no station was yet broadcasting stereo, Majestic built its own miniature broadcasting system, then fed



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the stereo signal to a specially converted stereo console (picture, page 65).

Differing views. Some manufacturers admitted they would delay bringing out their stereo FM lines until inventories of present monaural FM receivers are exhausted. "We could easily use our adapter to bring out a stereo tuner line," one manufacturer pointed out, "but we still have non-stereo equipment that has to be sold. We probably won't have our line out until September."

An exception was Bogen-Presto Div. of Seigler Corp., at Paramus, N. J., which displayed not only adapters, but also a line of stereo FM tuners. Bogen executives were well pleased with results. "We've booked more orders at this show than at any show we've ever been in," said hi-fi sales manager Harold Barton. "And 75% of the orders have been for stereo FM. I never dreamed this would happen."

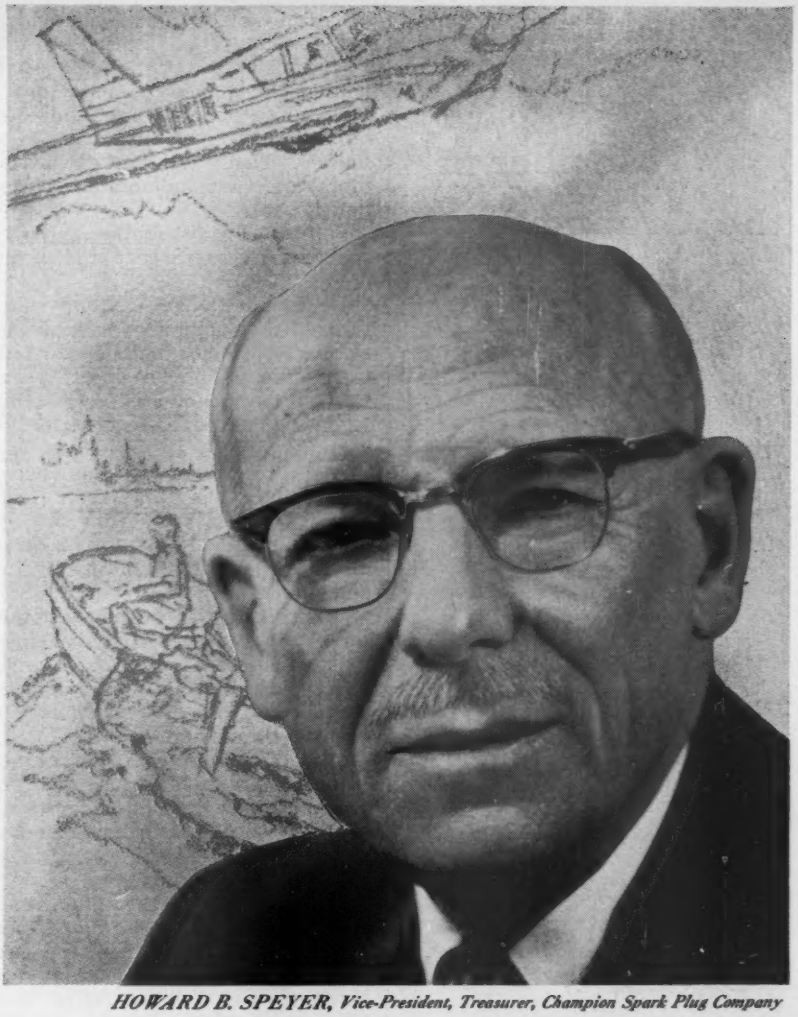
III. Shakedown ahead

Not only new products, but new manufacturers as well, are turning up in the industry every day, and this means headaches for distributors. As one show visitor observed, "the glamor child of the 1950s is starting to grow up, and this means growing pains."

Distributors who began selling one or two lines of radio vacuum tubes before World War II now must choose among 2,000 basic tube types and nearly 20,000 different semiconductors, offered by several hundred manufacturers.

Most industrial distributors must now stock at least 30,000 parts; some even carry 80,000. That ties up money in inventory. "No one could start in this business today with less than $1-million," says Frank L. Gantz, Melbourne, Fla., parts distributor Kenneth C. Prince, manager and counsel of the Electronics Industry Show Corp., which runs the Chicago show, notes that more distributors lack capital to keep up. That means, one distributor thinks, "a pretty thorough shaking of the trees."

Full lines. The problem is complicated by more manufacturers offering full lines of electronic parts. ITT, for example, concentrated until August, 1960, on wire and selenium rectifiers. Then it created a Distributor Products Div., and since has brought out at least one new product line a month. "That will continue through 1962," says division Pres. Frank M. Viles, Jr., at the show, it introduced a transistorized megaphone, three intercom systems,



HOWARD B. SPEYER, Vice-President, Treasurer, Champion Spark Plug Company

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a Citizens Band transceiver, and a broader line of hi-fi speakers.

A distributor once bought from dozens of short-line manufacturers. With more manufacturers full-line, he can now buy from a half-dozen sources. That's the reason distributors expect a manufacturers' shakedown.

Patterns. In distribution, industry spokesmen see two patterns developing.

Fewer lines, but in greater depth, is one. To end duplication, distributor Ganty will eventually cut by half the number of lines he carries. "Then, I'll take the money and increase my inventory in the lines I decide to keep."

And distributors will be choosy about the lines they keep. Says Gantz: "Within two years, 80% of existing manufacturers will be gone, most of them through acquisition and mergers."

Franchising will be one criterion for distributors in deciding what lines to keep. Most manufacturers originally sold to anyone with money to pay. Today, many have switched to protected franchises.

Most distributors prefer this. Franchised distributors count on protected territory, referrals, advertising support, technical help. In an industry as complex as electronics, technical help is important. One distributor explains: "I bought some diodes and they didn't work. So I called my manufacturer. In less than six hours, a technical man figured out my problem and solved it. It might have taken me weeks."

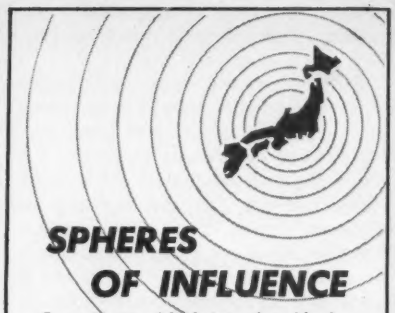
Franchising policies vary. Texas Instruments, Inc., follows a tight policy, with some 40 franchised distributors backed by factory offices. ITT franchises only about 160 of more than 1,000 distributors that sell its products—mostly industrial distributors carrying costly inventories, rather than distributors handling general products.

Bigger ones. In the long run, most distributors will stick with the bigger manufacturers. "No distributor has enough money to gamble," says New York distributor Henry Harris.

Smaller manufacturers, even those with franchise programs, are beginning to feel the pinch of tougher competition.

One manufacturer finds his distributors, once content to let the factory fill orders over 1,000 pieces, now insist on filling orders of 5,000 pieces and more.

But that doesn't mean all smaller manufacturers will disappear. As in other industries, smaller manufacturers will wind up making low-volume, specialized items. **End**



SPHERES
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Concurrent with the steady widening of liberalization of foreign exchange controls, the Fuji Bank Ltd. is steadily widening its lead as Japan's ranking commercial bank — and with emphasis in foreign trade transactions.

Traditionally the popular bank — equally popular with small and medium businesses as well as with the nation's representative industries, Fuji's spheres of influence are extending more and more into interest from abroad.

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SWISSAIR
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International outlook BW

June 3, 1961

Economic aid is key to foreign policy

The outcome of the battle in Congress over foreign aid could determine the shape of Pres. Kennedy's entire foreign policy.

To offset political setbacks in Cuba and Laos, **Kennedy is putting increasing reliance on long-term economic assistance to the underdeveloped nations.** The Alliance for Progress now is the main hope for checking the spread of Communist influence in Latin America. A similar pattern is emerging in Southeast Asia.

The goal of the new foreign aid program, as the White House sees it, goes far beyond this. The aim is to finance "middle-class revolutions" wherever possible in the underdeveloped nations—thus blocking the "proletarian revolutions" sponsored by Moscow and Peking. This explains why Kennedy said in Boston Monday night that he was going to Vienna "as leader of the greatest revolutionary country on earth."

The cost goes up

Kennedy's "revolutionary" goal would have to be revised drastically if Congress turns down his requests for expanded aid. The foreign aid bill now calls for $4.5-billion in military and economic funds for fiscal 1962 plus authority to draw from the Treasury about $8-billion more over the succeeding four years. This $8-billion would go to finance long-term economic development.

About two-thirds of the economic development aid requested for next year already has been tentatively committed to key countries such as India, Brazil, Pakistan. There will be very little in the till for others unless Congress grants the President most of what he wants.

As committee hearings began this week, prospects for the foreign aid bill were touch and go. Administration officials are hoping that the gravity of the international situation will swing votes behind the bill. But the opposition is bound to be fierce.

Kennedy is asking for a large amount of money. From 1962 on, for example, the funds available for long-term development would be more than three times the present level. Moreover, conservative congressmen are opposed in principle to granting the Chief Executive further power to borrow directly from the Treasury, bypassing appropriations committees.

Tariff bargaining starts in Geneva

The Administration is hopeful but hardly optimistic about the new round of tariff negotiations that began this week in Geneva under the General Agreement on Tariffs & Trade (GATT).

U.S. officials hope the GATT bargaining will reduce substantially tariff barriers between the two European trade blocs and the barriers of both to imports from the U.S. Still, these officials know the situation is full of uncertainties and that, at best, the negotiations are bound to be drawn out.

The six-nation European Economic Community is offering a 20% reduction in its common tariff in exchange for concessions from other GATT members. Just how much reciprocity the Six will demand is not clear yet. It will depend partly on how forthcoming the British may be. Some U.S. officials fear that London will hold back in Geneva so that it can conserve its bargaining power for direct negotiations to join EEC.

International outlook Continued

Washington itself is not in a strong bargaining position. Although nominally the Administration has the authority to cut U.S. tariffs by 20%, it isn't prepared this year to offer cuts that would average more than 5%. U.S. officials can only hope that the Six will keep an earlier promise to give us far more than that as a recognition of past U.S. tariff liberality.

Moscow sells more gold

The Soviet Union is making heavy gold sales in Western Europe. **Over the past two months, Moscow has sold at least $200-million worth of gold,** almost as much as for the whole of 1960. Most of it has been bought by European central banks, including the West German Bundesbank and the Bank of France.

Financial experts in London, Paris, and Frankfurt figure the U.S.S.R. is running a heavy payments deficit this year and will have to go on selling gold at this spring's rate for some months. But Moscow won't want to keep this up for too long, say the experts. All this explains why there is extreme Russian pressure to sell more oil in Western Europe, thereby gaining foreign exchange.

Some London observers think Moscow may start an all-out price war in world oil markets—to open the door still wider for sales of the growing surplus of Soviet oil.

Trujillo assassinated

The assassination of Rafael Trujillo, dictator of the Dominican Republic, is stirring up the already turbulent Caribbean cauldron. Washington took the situation seriously enough that Secy. of State Rusk delayed his departure for Paris and Vienna.

The elimination of Trujillo **will remove a source of embarrassment in U.S. relations with Latin America.** Latin Americans have criticized the U.S. persistently for supporting Trujillo and dictatorships in Nicaragua, Paraguay, and Haiti.

Whether the demise of Trujillo will prove to be good or bad for the U.S. in the long run **depends upon what sort of a regime succeeds him.** At midweek, U.S. officials could do no more than speculate about the possibilities.

Prolonged struggle

The best bet is that Trujillo's death will touch off a prolonged free-for-all struggle for power among Trujillo's supporters and various opposition factions.

Undoubtedly Trujillo's henchmen and his family, which owns most of the country, will try to hold on to power. His son, Ramfiz Trujillo, is ambitious.

Ramfiz undoubtedly will face rivals among both the military brass and middle-grade officers. A general may feel that he is the best fitted to be the successor. Nor can a junta of young colonels be ruled out.

The exile factions are sure to make a bid for power, too. Political opposition to the dictator has been scattered and weak. The most prominent exile group is a loose organization on non-Communist factions with headquarters in Caracas.

No democracy

The one possibility that probably can be ruled out for some time is the emergence of a stable regime with democratic pretensions. **The democratic tradition is almost completely absent** from the republic's history.

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U.S. pokes into foreign exchange

For the first time, trading is aimed at influencing the exchange rate. The U. S. is following other governments into efforts to promote currency stability

A new force has suddenly emerged in the foreign exchange market—the U. S. Treasury. It is trading in foreign exchange—"for the first time in living memory," say Washington officials—with the aim of influencing the rate of exchange between the dollar and foreign currencies (BW—May27'61,p136).

The vehicle for the Treasury's operations is the super-secret Exchange Stabilization Fund. This fund had been largely dormant since it was created in the early 1930s out of the paper profits that accrued when the U. S. boosted its gold price from $20.67 to $35 per ounce.

So far, the Treasury's intervention has been limited, involving only sales of "forward"—future delivery—West German Deutschemarks. The Treasury, acting in close cooperation with the Bundesbank, the German central bank, moved to prevent runaway speculation in the mark, which could have led to a flight from the dollar. But the scope of Treasury activity is almost sure to broaden. While the Treasury itself maintains a discreet silence, the prospect is that it plans to trade in other major West European currencies.

Weighty fact. The Treasury's new role is significant for U. S. corporations with big stakes in business abroad. It will have a bearing on any company that sends funds overseas, engages in exports or imports, or repatriates earnings. For the magnitude of its assets gives the Treasury a lot of influence.

Treasury Secy. Douglas Dillon's decision to intervene was provoked by a specific event—the 5% revaluation of the D-mark in early March (BW—Mar.11'61,p34). His purpose was to limit the premium on the forward mark and the corresponding discount on forward dollars, which acted as an incentive for a short-term investor in dollars to switch into mark investments.

One thing that made it easy for the Treasury to intervene was that it got a substantial bundle of marks as a result of Germany's prepayment of its debt to the U. S. this winter—though the Treasury sales apparently exceeded this amount.

Line of defense. The Treasury's intervention has implications that go far beyond the specifics of the German revaluation. Dillon and Under Secy. for Monetary Affairs, Robert V. Roosa, are determined to build a network of defenses for the dollar.

Intervening in the foreign exchange market represents the first line of defense. And other measures—built around close international cooperation between monetary authorities—are in the works.

Treasury officials are close-mouthed about any details, although they will spell out some of their plans at Congressional hearings scheduled for the third week of June, when a subcommittee of the Joint Economic Committee will examine the balance-of-payments problem.

No panacea. Treasury men admit that this intervention won't cure the basic deficit in the balance of payments. As one official puts it: "Our intervention—while vitally important in the short run—won't solve our long-term difficulties. If we were running a serious balance-of-payments deficit, we could put all our money in foreign exchange and it still wouldn't help."

Hedging. That's because it could not stem a wholesale run on the dollar. But it hopes its operation will serve as a deterrent while forging other weapons to pare the deficit.

Most foreign exchange trading grows out of commercial transactions. Suppose an importer buys typewriters from Germany, but the contract for delivery doesn't come due for another three months. The importer knows that he has a future obligation to pay out D-marks, and he also wants to protect himself against possibility of another revaluation. To cover himself, he buys 90-day marks forward—that is, he buys a contract calling for delivery in 90 days of a fixed number of marks, against payment of a fixed number of dollars.

This type of hedging operation goes on all the time. It's used by big buyers in the commodity markets and by most importers.

Other motives. Such straightforward commercial transactions, however, are not the only reasons for dealing in foreign exchange:

- There's interest arbitrage—the movement of short-term funds to financial centers where money rates are highest. This was the case last fall when funds were being sucked from New York into London.
- There's pure currency speculation—for example, buying German marks against the possibility of a further revaluation.

The volume of such transactions in the foreign exchange market has increased steadily since European convertibility was introduced at the end of 1958, to the point where they have now become a major force in international finance. Often, they're a disruptive force.

Cooling hot money. This is why the Treasury is moving to moderate against short-term flows.

Its decision represents a significant departure in policy. Until recently, U. S. policy has been that maintaining a fixed $35 per ounce gold price, and standing ready to convert foreign dollar balances into gold in any amount—"for legitimate monetary purposes"—was adequate defense of the value of the dollar.

This view has now changed, partly as a result of last October's selling of dollars for gold in London and partly as a result of the stampede of funds into West Germany after the revaluation. The U. S. has now joined other free world governments in going into the foreign exchange market to promote currency stability.

Rules for action. Actually, official intervention in the foreign exchange market is required by the International Monetary Fund agreement, which sets the rules for currency dealings among its members. Under IMF regulations, the currency of each member nation has a par value that's defined in terms of the U. S. gold price. The pound sterling, for example, is currently fixed at 2.48828

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grams of gold per pound, which works out to the familiar $2.80 exchange rate.

Par value has more than symbolic significance, because monetary authorities are obliged by IMF to keep the free market price of their currencies within at least 1% of the par value. Thus, to take a simple example, the Bank of England buys in the market whenever the pound gets down to $2.78, and sells whenever it gets up to $2.82.

Crosscurrents. In practice, official action in foreign exchange is no simple matter. Pounds are traded not only for dollars but also for French, Belgian, and Swiss francs, Dutch guilders, German D-marks, Italian lira, and so on. And in each currency there are upper and lower support limits that the bank has to watch. The result is a constant flow of foreign exchange transactions by the central bank in many different currency markets.

This is also true in the forward exchange market, though to a much lesser extent than in the spot market. The 1% IMF rule applies only to spot exchange transactions; forward rates must be kept within "reasonable" limits of par, but IMF "has never had the occasion" to define what "reasonable" means.

The vagueness of IMF's rules on forward transactions has meant that until recently, most central banks—even those that were active in the spot market—left the forward market pretty much alone. But as the action of the U. S. Treasury shows, this is changing.

Control of profits. Intervention in the forward market works in cooling off hot money flows because speculators—like commercial traders—like to hedge their currency transactions against future risk. To do this, they have to deal in the forward exchange market. To a large extent, the relationship between spot and forward rates will determine how much profit there is to be made.

By operating in forward exchange, the Treasury in effect gets control of the speculator's profit potential.

That's why the Treasury has moved into the forward exchange market as a seller—if the forward rate on marks had been allowed to shoot up, this would have greatly increased the incentive to move funds to Germany, and conceivably might have touched off a run from the dollar into the mark.

And, as one central banker points out, "If we'd had control of the forward market in sterling last fall, we might have been able to stop the London gold rush before it got started." **End**

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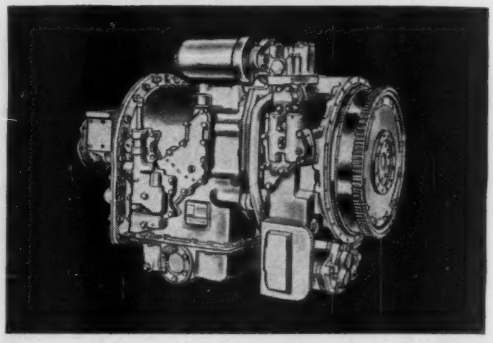
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Two of these LeTourneau-Westinghouse TORQMATIC-equipped LW-80 coal haulers replaced five 26-ton trucks at a Kentucky coal mine. "Even in wet weather and with 90-ton loads," the company reports, "the TORQMATIC units get underway slow and easy. A transmission like this that can take up the shock and, at the same time, give us the full benefit of 525 horsepower is bound to cut our maintenance costs to a minimum."



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May 23, 1961



from this **"idea book"**... ways to cure desk clutter

Shaw-Walker research has now produced the unbelievable—a desk that eliminates top clutter and drawer hodgepodge. *How it's done* is just one of the many time-saving, space-saving ideas you'll find in the new 248-page Shaw-Walker Office Guide.

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Wall St. talks...

about Merrill Lynch's higher margins, bid rumored for Kentucky Standard

To dampen speculation by small investors, Merrill Lynch, Pierce, Fenner & Smith, Inc., has doubled its minimum requirement on new margin accounts from $1,000 to $2,000. Merrill Lynch doesn't think a change in the 70% margin requirement is needed, but it wants to encourage small investors to buy for cash.

Montgomery Ward has followed Certain-teed and Johns-Manville into **trying to cash in on the shell home craze.** So far, it has only put a toe in, by selling accessories and interior equipment in conjunction with a shell home builder in Huntsville, Ala. If the Alabama experiment works out, Ward is ready to go deeper.

Standard Oil of Kentucky, a marketing operation that's one of the industry's steadiest profit performers, is getting a play in the market on rumors that it may sell out to a larger company. It's now trading about $77, a new high after rising more than $8 in a week.

Morris M. Townsend, who was accused by SEC of "gross misconduct and gross abuse of trust" in the affairs of Townsend Corp. of America and Townsend Management Co., has had a falling-out with his colleagues. "It is my view," says Townsend, "that Clinton Davidson and Raymond E. Hartz have always been in control of the corporate structure. . . . I have requested the directors . . . to strike my name from the corporate titles."

Eyebrows were raised along Wall Street this week over an explanation of how the 660,000-share Howard Johnson Co. offering (at $38 a share) happened to end up with Blyth & Co., Inc., as the managing underwriter. Word leaked out that J. William Weeks, who is a son-in-law of Johnson and whose wife, Dorothy, was one of the three major selling stockholders, works for Blyth. Such relationships are not unusual but are normally spelled out in the prospectus. Weeks says that, since no finder's fee was paid, "we didn't think there was any reason to publish" the fact.

AUTOMATIC FEEDING ends cafeteria hunt



At the Ryan Electronic Division of Ryan Aeronautical Company, Torrance, Calif., hundreds of employees on two shifts have their meal and refreshment needs efficiently and economically handled through vending in this new automatic cafeteria. Sandwiches or hot plate lunches . . . salads . . . favorite beverages . . . pies, ice cream and other desserts . . . and other lunch room items . . . all are served without delay at their freshest, tastiest best. Modern equipment is decoratively integrated to produce an inviting dining spot. This installation was designed and is serviced by Davidson Brothers, a division of ARA.

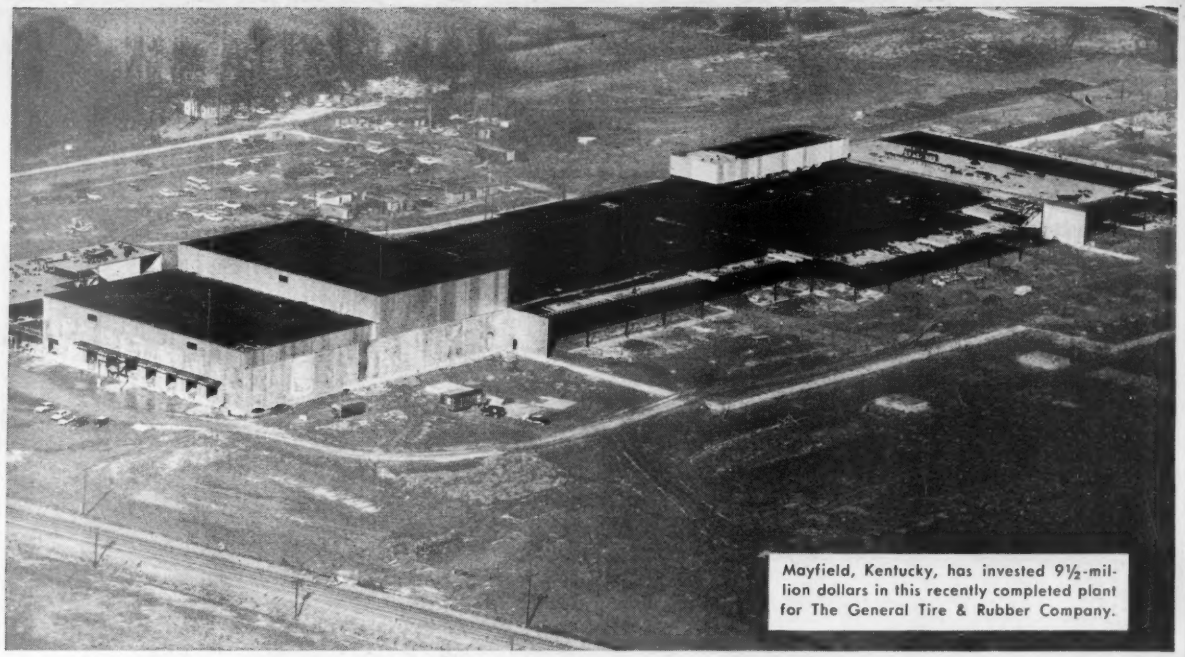
Three years of investigation indicated to Ryan management that a cafeteria installation would cost from $30,000 to $50,000. Instead, ARA installed a self-supporting, 24-hour automatic cafeteria that handily solved the problem of food variety . . . fast service to employees' and management's complete satisfaction. This is typical of the efficient and economical ARA vending services that range from a fast cup of coffee to a complete automatic cafeteria. The rapid growth of Automatic Retailers of America, the new, progressive network of the finest locally managed and locally operated vending companies throughout the nation, is your meaningful assurance of the quality of its management . . . quality of services . . . quality of equipment . . . quality of products vended. There's a specific food-refreshment service plan to fit your needs whether you operate an institution . . . a manufacturing plant . . . large offices or public facility. Write or phone for more information, today.

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Mayfield, Kentucky, has invested 9½-million dollars in this recently completed plant for The General Tire & Rubber Company.

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THANKS partly to Kentucky's natural advantages, and partly to its *unique* combination of new-plant financing plans to supplement the usual commercial financing, more great and successful companies are now negotiating or building new plants in this fast-growing State than ever before in history.

A $9,500,000 plant has just been built in Mayfield, Kentucky, for The General Tire & Rubber Company – financed through the issuance of industrial revenue bonds. Other large new plants have similarly been built or are now building in Danville, Franklin, Eminence, Lebanon, and Bowling Green, for Genesco, Inc., Potter & Brumfield Division of American Machine & Foundry Company, Red Head Division of Brunswick Corporation, Swift and Company, and Bowling Green Manufacturing Company, subsidiary of Holley Carburetor Company.

And, just this year, Kentucky has created two additional sources of industrial financing (one from public funds and one from private funds) which now give Kentucky an unmatched "complete line" of different financing plans:

1. **Industrial Development Finance Authority:** The 1960 General Assembly, for the first time, appropriated funds which can be loaned to local non-profit industrial development agencies to finance industrial subdivisions and plants.
2. **Business Development Corporation:** This is a company organized to make loans to new industries or to existing industries for expansion. It is privately managed and is privately financed by banks, insurance companies, utility and transportation companies, and other private corporations interested in Kentucky's economic expansion. Most Kentucky financial institutions have already subscribed to its stock and lending funds.

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COMMONWEALTH OF
KENTUCKY

WHERE BIG THINGS ARE HAPPENING

In the markets

BW

Plea for "sanity in the marketplace" turns spotlight on speculation, manipulation

A solemn warning to the financial community to maintain "sanity in the marketplace" was made this week by Donald B. Macurda on his election as president of the New York Society of Security Analysts. **Macurda observed that "repeated warnings against over-speculation are going unheeded,** despite the fact that we have reached the ionosphere area of one of the longest major bull markets." He added that "the mounting speculative fever may create another 1929 delirium."

But brokers reported that speculative fever is lessening, and cited drops in many high-flying issues as evidence. Meanwhile, the drive against speculation and manipulation saw action on several fronts:

Both Res arrested on criminal charges

The father-son team of Jerry and Gerard Re, who formed one of the biggest specialist firms on the American Stock Exchange before their ouster by the SEC on manipulation charges (BW—May6'61,p82), were arrested by federal officers on criminal charges.

In the case, Jusice Dept. attorneys focused on just one Re transaction, so that more criminal charges may be on the way. **Specifically, the Res were accused of soliciting an open-ended order for 3,000 shares of Thompson-Starrett Co., a stock in which they were specialists, from "Toots" Shor, a New York restaurateur.** This was a direct violation, says the government, of the Securities Exchange Act of 1934, which prohibits specialists from accepting such discretionary orders.

SEC wants records of advisers' stock dealings

The Securities & Exchange Commission made another move that demonstrated it is following a new hard line. It laid down stiff rules requiring investment advisers, who already must register with the SEC, to maintain comprehensive records of dealings involving their own funds and securities as well as those of customers'.

After July 1, investment advisory firms will have to maintain records of every "purchase, sale, receipt, or delivery" of a security; separate ledger accounts for every client where the firm has custody of securities; and records of trading in institutional accounts where investment management service is performed.

Some advisory firms have been accused of loading up on a security, recommending it in a market letter, and then selling out at a profit as the public comes in to buy. SEC figures that with the facts on paper—and subject to inspection by its representatives—this type of activity may die down.

Court assigns liability in Managed Funds case

The case of Managed Funds, Inc. (BW—Mar26'60,p 149), long a cause celebre in the mutual fund industry, is still going strong. In the latest development three groups—Model, Roland & Stone, a New York brokerage, Hilton and Hovey Slayton, the cousins who once controlled Managed Funds, and seven of its former independent directors—**were held "jointly and severally" liable by a Delaware court for return of better than $1-million in management fees and brokerage commissions paid between 1954 and 1959.**

If the decision stands on appeal, it's likely that Model, Roland—which has already been disciplined by the New York Stock Exchange for its role in the affair will have to shoulder the bulk of the responsibility.

The decision is important because of the broad responsibility it imposes on the investment community to blow the whistle on sharp business practices. In the Managed Funds affair, the nub of contention is the secret contract between Stephan M. Jaquith—first an employee and later a partner of Model, Roland—and the Slaytons, in which Jaquith agreed to take over investment management of the fund in return for brokerage business. The Slaytons, meanwhile, continued to collect fees for investment management.

In the words of the court, Model, Roland had "a responsibility to refrain from conduct which made it a conscious and co-operative party to a breach of fiduciary duty."

The court also served warning on independent directors. It pointed out that the Investment Company Act of 1940 requires directors to act as a check on management. Actually, it found, Managed Funds' directors did little more than approve what the Slaytons were doing.

United Whelan and accountant clear up confusion over annual report

The confusion over United Whelan Corp.'s annual report (BW—May13'61,p61) was cleared up this week. The stock is trading at 14¼ (1961 high: 23; low: 11).

S. D. Leidesdorf & Co., independent certified accountants, confirmed that it had agreed with UWC's position that separate consolidated financial statements be drawn up for Crawford Clothes, Inc., then a wholly owned subsidiary, and for the parent company and its other subsidiaries, because of the difference in operations.

Leidesdorf explained that it qualified the Crawford report—because there were future rental obligations of Crawford Clothes which could result in losses and for which no reserve was set aside. "No reserve was set aside," said a Leidesdorf spokesman, "because the amount was entirely indeterminate. Any reserve provided might have been misleading to stockholders. All that could be expected was a reference to the contingency. The report contained such reference."

Charles Green, UWC's chairman, adds that "the recent sale of Crawford Clothes shows the correctness of reporting our income at $1,955,188 or $1.34 a share for 1960 without deduction for the losses of Crawford. This is clear now that Crawford Clothes is no longer a part of the Whelan picture. But the earnings remain."









Frozen food for 500

Bulk packaging, a recent Stouffer innovation, permits Cleveland church convention luxury of serving Alaska king crab and chocolate cake to 500 guests without burden of laboring long hours over hot stoves. Cost of food, including fruit, rolls, and coffee not supplied by Stouffer, came to less than $1 per serving.

Stouffer preempts the kitchen

Restaurant chain's frozen foods and management service are taking over the church dinner, school and business dining rooms, and now the gas station counter

Last week more than 500 women attending a church convention in Cleveland sat down to a luncheon (pictures) featuring Alaska king crab in wine sauce. Although it looked like any other church luncheon, there was one important difference—none of the church women had spent the day before preparing food, and yet the meal was not catered.

The crab and a chocolate cake dessert were frozen cooked foods of Stouffer Corp., East and Midwest restaurant chain headed by Vernon Stouffer, chairman and president (cover). Packaged in bulk containers, an innovation in frozen foods, the two items were furnished at a price that—with fruit, rolls, and coffee purchased from other sources—gave an over-all price to the women of less than $1 and a profit of 50¢ a serving on the ticket price of $1.50.

This week, the company is breaking ground in Detroit for a multimillion-dollar hotel to be called Stouffer's Northland Inn. Next week, a new gasoline station on Interstate Highway 90 near Ashtabula, Ohio, will begin serving Stouffer-prepared, vending machine-dispensed, radar-heated individual frozen food items in a restaurant without cooks.

I. Meeting the market

All this is part of the new marketing approach of the 37-year-old restaurant chain.

Stouffer considers the food business relatively recession-proof: It fared better than other industries in recent dips. But he feels that his company, to keep its place, must adapt to changes in markets.

Stouffer says: "In the food industry especially, new changes in the mores of the American people are reflected. The trend is toward more convenience, greater mobility, wider variety of experiences, culinary and otherwise. We must be situated to meet new market opportunities on company premises, on the highways, in hospitals, and schools . . . in retail or wholesale markets wherever the public must be fed."

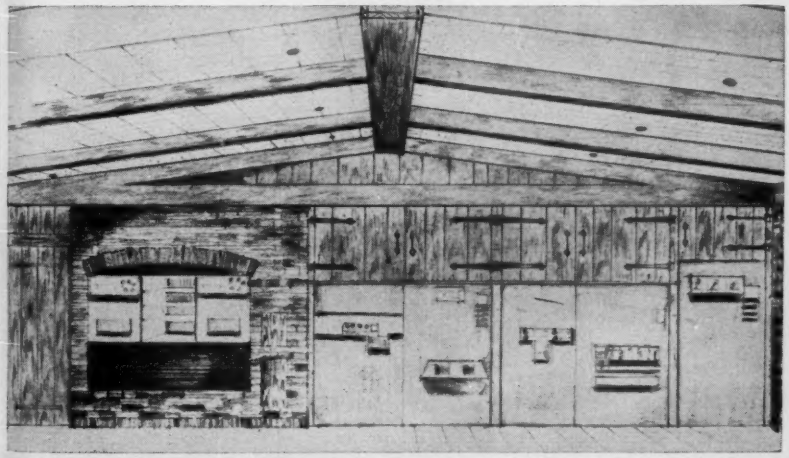
The suburbs. Americans are moving to the suburbs, traveling more, entertaining more, and yet still clinging to such old favorites as the church dinner. Stouffer is seeking to tap as many of these markets as possible.

The first move to meet the changes was taken many years ago when Stouffer's, traditionally a downtown restaurant, began to open fancy restaurants. Emphasis was on decor and lighting as well as the usual Stouffer emphasis on quality.

Stouffer personally approved plans for design and decoration. In visits to the restaurants, he is one of the company's most critical food tasters.

Midnight snacks. Having cut into the suburban market for the evening out, the company moved to get a share of the market for the evenings at home. Convinced that people want luxury in food even at home but that demands on the housewife's time interfere with food preparation, Stouffer decided that the answer lay in freezing. So the company entered the frozen cooked food field.

It didn't compete with the so-called TV dinners, however, but put on the market menu items tested in





Restaurant without cooks

Architect's drawing (left) of one of Stouffer's gasoline station self-service restaurants shows dispensing machines where the food—packed in individual servings—is kept frozen until purchased. Adjoining radar ovens thaw and heat food. Test restaurant (right) located on Interstate Highway 90 near Ashtabula, Ohio, receives finishing touches. The project is a joint venture of Stouffer and Standard Oil Co. (Ohio), which helped originate the idea.



How does the future look to you?

YOUR OUTLOOK on the future can well depend on *where* you look to see it. Especially is this true in these highly competitive times, when profits everywhere are much harder to come by. So, we say again to profit-minded businessmen—don't despair! If you have set your sights on a prosperous and rewarding industrial future, *Look South* now to find it.

You will be in good company. Last year, along the lines of Southern Railway alone, there were 372 new industrial developments representing an investment of almost half a billion dollars—greater than any year since 1956. Among these are industries of all kinds and sizes, all looking for the same thing—increased in-plant production efficiency plus fast-growing markets nearby, to absorb the goods they make at a reasonable profit to the manufacturer.

Why not let a member of our Industrial Development Department give you the facts and the figures about *your* prospects for the future in the modern South? No obligation, of course—and in complete confidence. Call or write today.

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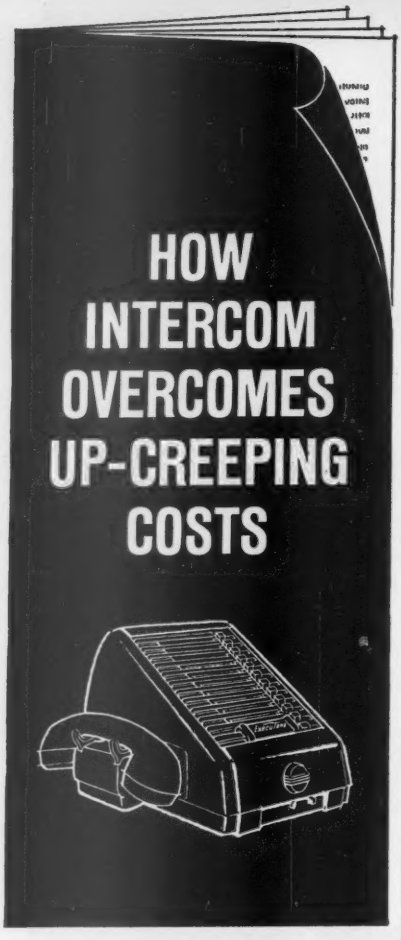
Harry A. DeButts
PRESIDENT

A recent U.S. Department of Commerce report shows the modern South leading the national rate-of-growth average in 29 of the 34 fields of business activity covered. Here are examples:

	PERCENT INCREASE FOR THE SOUTH	FOR THE U.S.
Dollar-value added by manufacture	120	90
Number of manufacturing establishments	35	24
Manufacturing employment	28	12
Dollar-value of manufacturing payrolls	131	97
New plant and equipment expenditures	65	49
Dollar-value of retail sales	65	53
Number of retail trade establishments	5	1
Dollar-value of retail trade payrolls	77	59
Dollar-value of wholesale sales	68	50
Number of wholesale establishments	36	17
Wholesale trade employment	23	13
Dollar-value of wholesale trade payrolls	80	59
Number of service trade establishments	58	46
Number of industrial and commercial firms	29	13
Dollar-value of life insurance in force	253	172
Number of motor vehicle registrations	117	91
Dollar-value of bank deposits	73	58
Production of electric energy	238	158
Dollar-value of personal income	111	101
Per capita personal income	74	64
Dollar-value of minerals produced	87	70
Cash farm income	23	10

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the restaurants and sold at premium prices (BW—Feb.15'58,p90).

Institution feeding. Then the company became intrigued by the vast market in office dining room, school cafeteria, and hospital meal service. The result was establishment of Management Food Service, a division of Stouffer's that takes over operation of customer dining facilities.

Both the home frozen food and the management service have grown rapidly. Home frozen foods are now distributed nationally. Fastest growth in sales is in Southern California—far from the traditionally Northeastern locations of the company's restaurants.

Management Food Service has taken over feeding at such places as Harvard Graduate School of Business, MIT, Carnegie Institute of Technology, Equitable Life Assurance Society of the U. S., and the Urban Club in Philadelphia.

II. On the highway

Changing traveling habits of the nation challenged Stouffer market developers. The first major attempt to cash in the changes was made last year, when Stouffer moved into Florida by acquiring the Anacapri Inn at Fort Lauderdale and taking over the dining room operation of the Town House Hotel at West Palm Beach.

The latest step to meet and serve people wherever they must eat is the Northland Inn in Detroit, which will be a six-story, $2.5-million hotel when it opens in 1962. Main interest of Stouffer in hotels and motor inns is to get additional outlets for food. In fact, the company hasn't decided definitely whether it will operate the facilities other than dining rooms or will lease them.

Having entered motels, Stouffer took its next look at the growing belt of freeways rolling out across the country. Restrictions prohibit restaurants along the highways, yet people must eat. Stouffer believes that travelers want to make only one stop for services—and thus want to eat at the gasoline station. Without planned locations on highways, the market potential seemed almost impossible to cover.

Individual frozen food items, including eggs and pancakes for breakfast and a whole selection for other meals, appears to be an answer. At least it is an answer that Stouffer feels is worth testing—a procedure always followed by the company before committing itself to a new market.

Experiment. Two test restaurants are being opened in cooperation with Standard Oil Co. (Ohio), which helped originate the idea. Individual servings will be kept frozen in the dispensing machines until purchased. They then will be popped into adjoining radar ovens for thawing and heating. The oil company will have hostesses to assist in using the ovens and to warm baby bottles and take care of other services that travelers have come to expect. But there will be no waitresses and no cooks.

Individual servings will be prepared by Stouffer's at its regular frozen food plant and sold wholesale directly to the oil companies. The oil companies will handle the distribution and operation of the restaurants, according to present plans.

III. Churches and hotels

The company feels that in many ways the bulk frozen food market may have the most potential. Main reason for the optimism is the many places and ways in which Stouffer's expects bulk frozen foods will be housed.

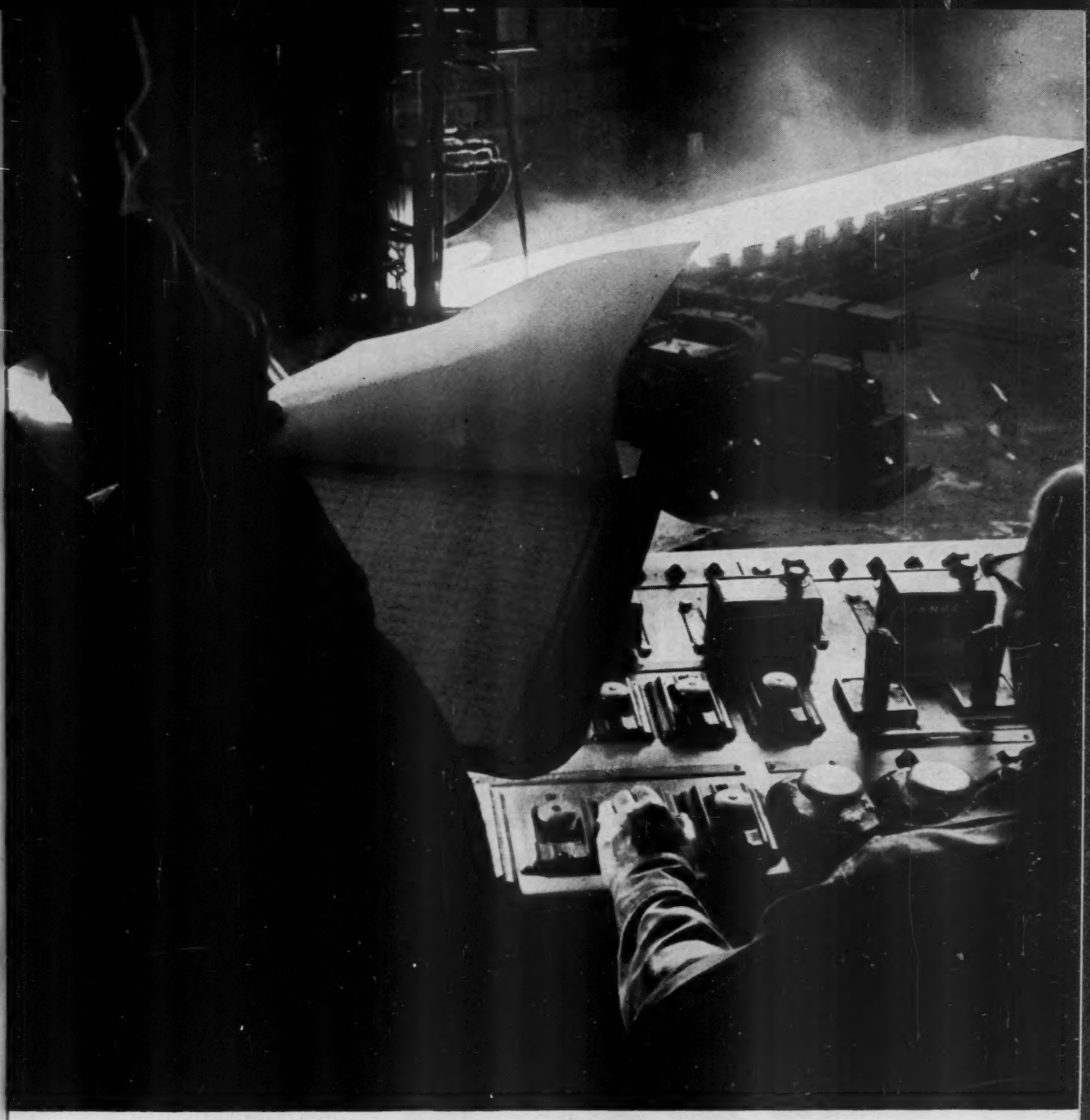
Stouffer explains: "The technique is to provide the main cooked ingredients of the whole meal with a selection of Stouffer menus that include salads and other seasonal items costed out for a customer's convenience as low as 60¢ a person. With a minimum of preparation, Stouffer quality is possible at a price that will permit the user a substantial profit."

For church dinners, such as the one in Cleveland last week, it will be possible to buy elaborate or simple main dishes, vegetables, or desserts that can be served with a minimum of work by the sponsoring group.

Food brokers. Distribution of the frozen foods will be handled by food brokers specializing in frozen food distribution. The same broker would ordinarily handle frozen items for hospitals, restaurants, and other institutional customers.

In some cities—notably Philadelphia, where Stouffer foods are handled by a distributor who also handles fresh items—the distributor could furnish the entire package for the meal. In other cities, Stouffer expects that frozen food brokers may form an informal tie-in with other food distributors to cooperate on promoting the Stouffer items and menus. In a few large cities, the Stouffer area representative may act as the tie-in to bring together the food distributors necessary to furnish the whole menu.

Herbert Jennings, institutional sales manager of the Frozen Cooked Foods Div., isn't worried about the church women. "They are very re-



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The new products will be used by non-Stouffer restaurants for variety . . .

Story on page 84

sourceful," he points out, "and many of them have had much experience at this."

Broader market. The market for the institutional packages is much broader than church dinners, however. Last year, in a market test, an Akron golf club used Stouffer food to meet the unusual meal demand during the Professional Golfers' Assn. of America tournament. It was so successful that Stouffer food will be used for two golf tournaments in Akron this year.

A resort hotel is considering wide use of Stouffer frozen foods on weekends to help meet peak loads that far exceed the hotel's average dining requirements.

Stouffer believes that the new products will be used by non-Stouffer restaurants, particularly short-order diners, to add variety to their menus. He thinks that large hotels may find them economical for alleviating problems arising when too many large dinners scheduled simultaneously overload the hotel's kitchen facilities.

In line with the policy of tapping markets wherever people eat, Stouffer's isn't overlooking home entertaining. A hostess can invite more guests and serve a better meal with less difficulty if she can supplement her menu with one or more prepared items that take a minimum of time.

IV. Management changes

Traditionally, restaurant chains have been one-man operations. Stouffer's has been no exception, and Vernon Stouffer has been the one man in the operation for many years.

However, growth and opening of new markets has made such one-man control virtually impossible.

Stouffer's recognized this last year and made some changes. Donald S. Carmichael was elected executive vice-president and chief administrative officer. His most important responsibility is to build a management team to capitalize on the market expansions and strengthen the change from one-man operation. William E. Lassiter was named vice-president of development, planning, and control with responsibility for finding, testing, and capitalizing on the new markets. **End**



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May chain edges into discounting

Second-largest department store group adopts its own way, however: a combination of traditional marketing in the fashion field, supermarketing in standardized lines

Week by week, the roster of retailers joining the discount team lengthens (BW—Apr.29'61,p112). This week, the nation's No. 2 department store chain spelled out to its stockholders its plans for low-cost merchandising.

May Department Stores Co. (sales last year nearly $685-million) is taking an approach peculiarly its own. Some concerns, such as Allied Stores Corp., are setting up a separate division. Others have been buying discount stores. Many conventional retailers have met the competitive threat by emphasizing high-fashion lines, a field where many discounters have had trouble.

Pres. Morton D. May told stockholders that May's plan is to marry fashion merchandising, with all the services traditionally involved, to low-cost, self-service selling, and set them up in housekeeping under one roof.

Two trends. The program has two facets. One takes in the whole May operation of 50 stores in 11 cities. The other projects a string of new stores that May has dubbed the Store of the Future.

Pres. May sees—and many retailers agree—two apparently contradictory developments in merchandising: (1) the growing emphasis on distinctive design and fashion in apparel, accessories, home furnishings —a trend abetted by rising incomes that can afford individuality; and (2) what May calls "the growing appeal of the convenience, freedom of choice, and economy that is associated with self-service, checkout merchandising of a broad range of standardized lines."

The development of both trends at once does not signal a split in the market, May said. The same consumer wants both. So May will give him both, in one unit.

I. Store of the future

The new stores will be sizable, ranging from 150,000 to 200,000 sq. ft., many on two levels. Costs will vary but will run around $3-million, without merchandise. Each will have two distinct and roughly equal parts. One will offer fashion merchandise and service along conventional department store lines. The other will call on all the supermarket paraphernalia—self-service, checkout, supermarket carts or baskets.

The company plans at least one such store in each of the 11 cities it now services. But it will also move into new locations, perhaps in suburban sites.

Each for itself. Flexibility is the keynote. Store managers in each of the 11 cities will have the say on just what form their Store of the Future takes. Some cities, May notes, won't yet support a full-fledged department store. In such areas, the company may start with the budget half of its new operation, add the style half as business grows.

A company official cited one reason for allowing for differences. "Discount houses have become so standardized that they have lost their ingenuity," he said. That's one reason why the new stores will emphasize attractive decor, avoid the "warehouse" look. "They will be beautiful stores," he said. "After all, the cost of designing a beautiful store is a small part of the total cost of sales."

One could guess, too, that another reason for dressing up the new operations is that May wants to preserve its original department store image. In all likelihood, each store will go by the name of the original May store in its city.

Two suburban stores, previously announced, will be the first to carry out the complete Store of the Future concept. One will be in the Los Angeles area, the other in the St. Louis area.

II. Conversion program

The May company is now in its third year of a $100-million modernization and expansion program. It will step up this program sharply.

To put its present stores on a footing competitive with the low-margin operation, the first change was to lengthen store hours in existing suburban branches. Thus, the three St. Louis branch stores and the two branches in Cleveland will be open six nights a week, for example.

Floor at a time. But more drastic changes are on the way. Conversion to supermarket techniques will come "wherever it will add to the shoppers' convenience," May reported. And it will be done on a broad basis, often an entire floor at a time. Thus, the Famous-Barr Co. store in downtown St. Louis will convert both its 7th and 8th floors to checkout operation. The 7th floor sells hardware, appliances, china, glass, housewares; the 8th sells radio, television, toys, sporting goods, auto accessories, and garden products.

The Akron store will convert the entire lower level of its largest branch. Starting next fall, the Los Angeles store will build checkout departments in three branches and will convert existing basements in its downtown store and three other branches to self-service. The new Los Angeles stores will include complete food markets.

III. Benefits

The primary reason for any merchant to try the discount tack is, by lowering operating costs, to keep competitive with the rising flood of discount operations.

May had had some such plan under consideration for about a year, had weighed various approaches. There was no call, the company felt, to abandon retailing policies that had worked well over the years.

Cutting down on help, for example, wasn't the answer, May said; people in a conventional store want conventional services, at least in fashion lines. Nor did May feel that turning a counter or two at a time into self-service operation offered the consumer enough convenience. He would still have to stop at a variety of cash registers to get all his wants. Furthermore, the supermarkets learned years ago that they had a psychological edge: People buy more if they don't add up the total until they reach the last stop—the checkout counter. **End**

Personal business BW

June 3, 1961

Check up on your life insurance

It makes good sense to take stock of your life insurance coverage.

One reason, of course, is to decide whether you need another policy to give your family more protection. **But often you can upgrade the quality of your present coverage at little—if any—added cost in annual premiums,** by taking advantage of special provisions offered by many insurance companies. Many of these provisions are relatively new.

Double indemnity

For example, it costs nothing to add a clause establishing the way benefits will be paid if both you and your direct beneficiary should die in the same accident. (In a sizable estate, this may affect the tax bill.) In any case, you should name a second beneficiary.

You can usually provide for payment of double your policy's face value in case of accidental death. Cost is $1.25 to $2 a year per $1,000 coverage.

There are many possibilities for special payment of insurance benefits. For instance, at no extra cost **you can arrange for your family to receive a regular income until the children are through college,** then to get the balance in a lump sum or in a reduced income for life.

One new twist: a clause allowing the beneficiary to withdraw from principal in emergency.

At retirement age, you can use the cash value of many life policies to buy **a form of annuity giving you an income for the rest of your life**—without the red tape and commissions that would ordinarily accompany a new contract. In many cases, the retirement income will be paid to you and your wife as long as either of you are living. (Cash value of straight life policies at age 65 averages about $500 for each $1,000 of coverage.)

Premiums and dividends

On premiums, a "payor clause" can provide that if you die, the company waives premiums on a policy you took out for a child. Cost varies with age.

In your own policies, you can have all further premiums waived **if you are totally disabled from any cause.** The cost: from 40¢ to $1 yearly per $1,000. As another safeguard against letting a policy lapse, you can arrange for the company to pay your premium out of the policy's cash value **if you ever miss a payment.** This may be valuable if you travel extensively.

On dividends, you can let them stay with the company—at interest rates from 3½% to 4%. If you wish, dividends can be used to buy new paid-up units of insurance, or to prepay premiums—at a discount of 3½% to 4%.

Income for the family

A new trend is the family income clause. If you die, this gives your family a monthly income—usually $10 per month per $1,000 coverage, for 15 or 20 years. At the end of the period, the full face amount of the policy is paid. This costs about $3 to $4 annually per $1,000 at age 30, $12 to $18 at age 50.

In many cases, you can use a "decreasing term" rider to **cover whatever amount of your home mortgage is outstanding at the time of death.** This arrangement adds about 1% of the full mortgage amount to your premium bill per year.

Two new trends

In the last year or so, "guaranteed insurability" has been steadily gaining. If you're still many years away from retirement, you simply buy **a guarantee that you can purchase more coverage in future years**—regardless of changes

in your health and other circumstances. This clause is available until about age 37. For adults, the cost runs $1.25 to $1.50 a year per $1,000. For children, it's much lower.

If you work or travel abroad a lot, you'll want to look into the trend toward charging an extra premium for life coverage in such cases.

The rates vary by region. For example, you might pay $2 extra a year per $1,000 if you work in an office in Lima, Peru; $5 extra for a small town in the same country—and as much as $10 if you're, say, a geologist venturing into the Andes. Rules have been revised recently.

Straight or term insurance?

Some advisers suggest selling your straight life policies with sizable cash value and investing the proceeds in the stock market, say. Then you buy term coverage to give death-benefit protection to the family.

The decision depends, of course, on your over-all situation. But keep in mind: In middle age, you may find yourself practically priced out of any form of life insurance. Term coverage at age 50 costs twice as much as it does at 40, per $1,000. At 55, it would be three times more expensive.

Exercise to stay young

Even in your sixties, you can still improve your basic physical condition with exercise. That's the report of Dr. Bruno Balke of the Federal Aviation Agency's Civil Aeromedical Research Institute.

Studies involving several hundred men, from 17 to 65, showed **daily exercises can alleviate general symptoms of aging.** Middle-aged men with sedentary living habits improved their general physical capacities by 25% as the result of a 10-week course of daily "workouts," each of 30-to-40-min. duration and consisting simply of alternate trotting and walking.

If you like to combine exercise with fun, take a look at **Golf Begins at 45,** by Tom Scott and Geoffrey Cousins. The authors show how you can adjust your golf game to advancing years (Barnes, $4.95).

Check wiring around the pool

A point to watch in readying a swimming pool for the summer: Be sure wiring systems are inspected to avoid possible danger to swimmers. An electrical contractor should test pool lighting at least once a year.

One reason is that chlorine is highly corrosive and may damage wiring insulation enough to sever the grounding system. If that happens, 110-to-120 current (for powering the customary 300-watt underwater lamps) can kill a swimmer, especially if he's in a horizontal position between, say, the lamp and a metal drain.

Emergency fire exits are another point to check any time of year— but especially in the old-fashioned frame summer house. New on the market is an aluminum fire escape ladder that looks like a rainpipe when installed and opens at an angle to the building. An average two-story home might require a 16-ft. ladder (about $75 installed); a three-story home, a 30-ft. one (about $125). Write to Win-Chek Industries, Moonachie, N. J.

New roses bloom

Suitable for growing in any area of the U. S., four superior plants have been designated the All-America Roses for 1962. Two winners are hybrid teas—**Christian Dior,** bright crimson overlaid with iridescent scarlet, and **King's Ransom,** with large yellow blooms. **Golden Slippers,** representing a color break among floribundas, has upper petals of fluorescent orange with gold lower petals. **John S. Armstrong** is a deep, velvety red grandiflora.

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In labor

BW

More news about labor:

Page 104

Turning cooks into teachers

Provision in union contract with hat maker seen answer to Texas' right-to-work law

The Byer-Rolnick Hat Corp. of Texas may put a union label in its hats only when 97% of its employees become union members, under terms of an unusual contract with the United Hatters, Cap & Millinery Workers Union. The provision is widely interpreted as an end run around Texas' right-to-work law, which prohibits the union shop. **Instead of making union membership compulsory—illegal under the law—the clause gives the employer a vested interest in encouraging it.**

The union has promoted the union label heavily in consumer campaigns for several years. A company spokesman said that "naturally we will be interested in workers joining the union, but it will not be mandatory." Byer-Rolnick makes Resistol, Kevin-McAndrew, Ecuadorian, and Churchill hats.

The three-year contract was the first signed with Byer-Rolnick, which has been a union target since 1939. The company employs 500 workers at its Garland plant and 150 at Longview. Roughly three-quarters are union members, according to Alex Rose, president of the hatters' union.

The contract provides a general hourly pay raise of 20¢—7½¢ now, 7½¢ next year, and 5¢ in 1963—and pegs starting pay to a level 10¢ above the federal minimum.

Gradual replacement of flight engineers urged in report on dispute with pilots

Flight engineers—who struck in February to keep their jobs a separate craft and their union a separate organization—were faced this week with a Presidential commission report that recommended against them on both scores. The report urged that flight engineers be replaced gradually by engineers who are also qualified as pilots, and that the Flight Engineers International Assn. merge with the Air Line Pilots Assn. **Merger, however, was described specifically as not a condition of settlement.**

Pres. Kennedy appointed the panel after the wildcat strike to look into its underlying causes and recommend a solution (BW—May20'61,p145). It is headed by economist Nathan P. Feinsinger.

Under the Feinsinger plan, currently employed engineers would not be replaced or required to take pilot training, but new jets would be manned by two pilots and a flight engineer with pilot training. At present some jets are manned by three pilots and a flight engineer.

The commission gave the contending parties 30 days to work out details of the solution. If they cannot do so, the commission will "recommend such further action as may then seem desirable."

Pressure on the flight engineers to accept the settlement came from Kennedy, who warned, "We cannot have further strikes over these disputed issues," and—in a surprise move—from James R. Hoffa, president of the International Brotherhood of Teamsters. Hoffa called the Feinsinger report "fair and sound" and announced that the Teamsters would not support the flight engineers if they struck.

AFL-CIO chiefs push arbitration plan to settle disputes between rival factions

The long-drawn-out effort to set up arbitration machinery to settle disputes between the AFL-CIO's craft and industrial unions has moved forward a step. **The federation's executive committee—its ruling body between meetings of the executive council—instructed a special committee to draft an arbitration plan for submission to the next council meeting** June 26.

An AFL-CIO convention approved the arbitration principle two years ago, and AFL-CIO Pres. George Meany appointed a committee headed by the Machinists' Albert J. Hayes to create a formula acceptable to both sides. But Meany never called a special convention to act on the formula because—the industrial unions charge—the building trades unions reneged on their agreement to accept binding arbitration (BW—Apr.29'61,p78).

Since then the situation has deteriorated steadily. Executive committee members went into the meeting last week expecting a brawl. Instead the group agreed to ask the Hayes committee to tackle the arbitration formula once again.

Illinois bill would pay jobless workers while they train for new vocations

A bill to pay unemployment compensation to jobless workers while they retrain for other jobs is expected to win quick passage in Illinois. Similar laws are already in force in six other states.

Under the Illinois plan, **workers would be eligible for retraining pay for a maximum of eight weeks while attending full-time day vocational courses approved by the state labor director.** The director would give approval only if:

- There are no job openings for which the worker is already fitted in his own locality.
- The course relates to an occupation for which jobs will be available, and is offered by a competent agency.
- The worker has the aptitude to complete the course.
- No similar training is available after hours.



Cooperative project: Frank Moore of Connecticut Hotel Assn. (left) and Vincent Sirabella of Hotel & Restaurant Employees Union represent two of the groups supporting efforts to professionalize cooking education.

Turning cooks into teachers

With a growing surplus of jobs, the restaurant industry and its union are trying to establish cooking as a skilled profession by training vocational school teachers

Some people teach. Some people cook. And some people teach cooking. But up in New Haven they're carrying things a step farther. They're going to teach cooks to teach cooking.

Anything but frivolous, the project is a serious attempt to make professional cooking a solid vocational specialty in high schools and trade schools, with a view to beefing up the supply of qualified cooks for the hard-pressed restaurant industry. Phase one—the development of a standard text and curriculum—is under way right now. Phase two—the training of cooks to serve as teachers—will begin next year.

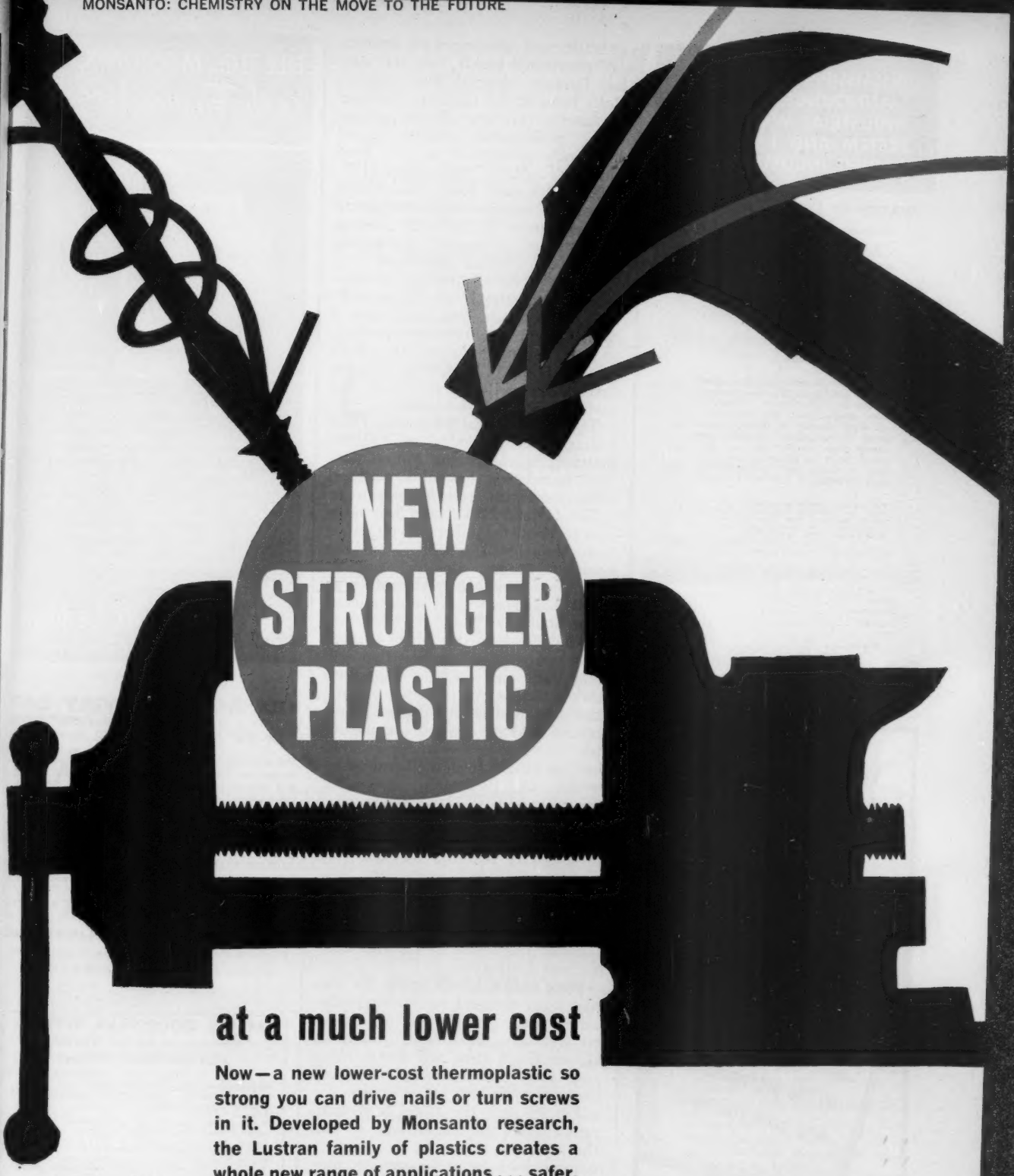
Money for the project has come from two sources: hotel management groups such as the Statler Foundation, and the Hotel & Restaurant Employees Union.

Not enough cooks. Like a growing number of unions, the Hotel & Restaurant Employees feels it has a stake in the solution of industrywide problems. In this case the problem is one that turns many fellow unionists green with envy—a chronic and increasing surplus of jobs over qualified workers. One expert, Paul Spitler of Les Amis d'Escoffier, estimates that 10,000 cooks could find jobs tomorrow if someone could only find the cooks.

Why the shortage? For one thing, American men tend to look down on cooking as unmanly. For another, they are attuned to the eight-hour day, five-day week, and welfare provisions of a factory job rather than the long hours, split shifts, and lack of fringe benefits common in kitchen work.

Source blocked. As a result, American restaurateurs traditionally recruited their top cooks from Europe. To complete their staffs, they sometimes scraped the bottom of the barrel here, hiring drifters.

But now European cooks are largely unavailable, what with the immigration laws and a shortage in Europe itself. And both employers and union officials are fed up with the high turnover rate and other



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difficulties of dealing with drifters.

Professional touch. Into this gap, last January, stepped Mrs. Frances Roth, head of the Culinary Institute of America in New Haven, a nonprofit, professional cooking school frequently described as the food industry's MIT (BW—Dec.21'57, p120). Mrs. Roth laid a plan before the executive board of the restaurant workers' union: to establish cooking as a skilled, respected profession, attractive to young Americans.

Such a profession requires a standardized educational discipline suitable to American needs, leading to a diploma that would mean something to prospective employers, Mrs. Roth told the board. The institute had the facilities to create this discipline, she said, but it lacked the funds.

The union started the financial ball rolling with a pledge of $20,000, matched by the Statler Foundation. The foundation has also matched subsequent gifts from other sources.

The Culinary Institute's first move was to flood the offices of guidance counselors with material on the cooking training already available and on such career opportunities as $20,000 salaries for first-class chefs.

Curriculum. Then the Institute buckled down to the job of preparing a course of instruction that will mate traditional cooking skills with modern ideas about cost control, sanitation, and labor relations. Most current cooking courses are unsuitable as models, the institute feels: they are taught from the home economist's or dietitian's viewpoint, rather than that of the commercial cook's.

When this part of the job is done, the Culinary Institute will bring 10 good professional cooks to New Haven for a year's training as teachers, with more to follow each year. Graduates will be accredited as vocational instructors by Central Connecticut University.

More cooks, better broth. By stirring up a demand for cooking education and supplying cooking teachers and texts, the project's sponsors are confident they will foster more and better cooking schools that will turn out more and better cooks.

For its part, the Hotel & Restaurant Employees Union believes that the project will benefit its members not only by helping the industry they serve, but by enhancing their dignity as culinary workers. But education alone won't raise the quality of workers coming into the field, a union spokesman warned. Employers will have to do their part, he said, by providing working conditions more in keeping with a skilled, dignified craft. **End**

MISSSISSIPPI GULF COAST ANNOUNCES A NEW INDUSTRIAL WATERWAY SYSTEM AND 1200 ACRE PLANNED INDUSTRIAL PARK

WATERWAY SYSTEM

Construction will begin soon on a sixteen-mile-long waterway system connecting the back bay areas of Gulfport, Biloxi and Pass Christian with the deep water channels of the Gulf. This system will offer excellent possibilities to industries dependent upon water transportation or industries interested in the Southern and South American markets.

INDUSTRIAL PARK

A 1200-acre planned industrial park will be located on the new waterway system north of Gulfport. Industrial sites, streets, power, rail sidings and all other necessary facilities are provided in the park. Industries can choose from specific sites at firm prices, ready for immediate construction. A similar park is planned at Pass Christian.

For details about advantages offered to industry by industrial parks, write to the Chamber of Commerce of one of the Mississippi Gulf Coast cities listed below.

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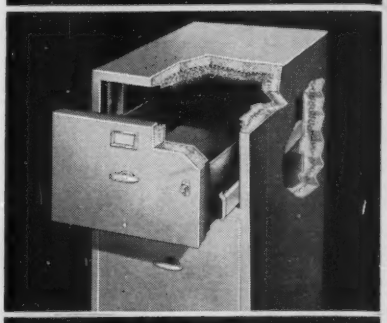
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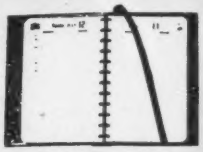
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Index of Advertisers June 3, 1961

Page

53-56 Aero Commander, Inc.
Agency: Beals Adv.

27 Allen-Bradley Co.
Agency: The Fensholt Adv. Agency, Inc.

68 Allis-Chalmers
Agency: Bert S. Gittins Adv., Inc.

79 Allison Div., General Motors Corp.
Agency: Kudner Agency, Inc.

91 American Airlines AIRfreight
Agency: Young & Rubicam, Inc.

102 American Credit Indemnity Co.
Agency: VanSant, Dugdale & Co., Inc.

3 American Telephone & Telegraph Co.
Agency: N. W. Ayer & Son, Inc.

81 Automatic Retailers of America
Agency: Garfield-Linn & Co.

10 Avco Corp.
Agency: Benton & Bowles, Inc.

60 Baltimore Gas & Electric Co.
Agency: VanSant, Dugdale & Co., Inc.

16 The Bank of New York
Agency: Doremus & Co.

78 Berry Door Corp.
Agency: MacManus, John & Adams, Inc.

62 Bethlehem Steel Co.
Agency: Hazard Adv. Co., Inc.

66-67 Blue Cross Assn. & National Assn. of Blue Shield Plans
Agency: J. Walter Thompson Co.

8-9 Borg-Warner Corp.
Agency: Clinton E. Frank, Inc.

6 Brown & Root, Inc.
Agency: D'Arcy Adv. Co.

4th Cover Burroughs Corp.
Agency: Campbell-Ewald Co.

100-101 Business Week

33 Butler Mfg. Co.
Agency: Aubrey, Finlay, Marley & Hodgson, Inc.

3rd Cover Connecticut General Life Insurance Co.
Agency: Cunningham & Walsh Inc.

39 Dow Chemical
Agency: Chirurg & Cairns, Inc.

96 Eastman Kodak Co. (Plastic Sheeting Div.)
Agency: J. Walter Thompson Co.

48-49 Enjay Chemical Co., Div. of Humble Oil & Refining Co.
Agency: McCann-Erickson Adv. (U.S.A.)

88 Executone, Inc.
Agency: G. M. Basford Co.

68 Fuji Bank, Ltd.
Agency: Dentsu Adv.

94-95 General Motors Corp. (Chevrolet Motor Div.)
Agency: Campbell-Ewald Co.

89 Granite City Steel Co.
Agency: Gardner Adv. Co.

14-15 Great Lakes Steel Corp.
Agency: Campbell-Ewald Co.

78 Handy & Harman
Agency: Hazard Adv. Co., Inc.

106 Harrison County Adv. Comm.
Agency: Godwin Adv.

40-41 International Business Machines, Data Processing Div.
Agency: Marsteller, Rickard, Gebhardt & Reed, Inc.

30-31 International Harvester Co.
Agency: Young & Rubicam, Inc.

29 International Nickel Co., Inc.
Agency: McCann-Marschalk Co.

47 International Paper Co.
Agency: Ogilvy, Benson & Mather, Inc.

74-75 Johns-Manville
Agency: Cunningham & Walsh Inc.

82 Kentucky Dept. of Econ. Dev.
Agency: Doe-Anderson Adv. Agency, Inc.

106 Lees Adv. Lines, Inc.
Agency: Jack Posner

99 McGraw-Hill Publishing Co., Inc.

106 Mellink Steel Safe Co.
Agency: Blaco Adv.

58 The Mitsubishi Bank, Ltd.
Agency: Hakuhodo Inc.

105 Monsanto Chemical Co.
Agency: Gardner Adv. Co.

90 Mutual Benefit Life Insurance Co.
Agency: Donahue & Coe, Inc.

52 The National Machinery Co.
Agency: J. H. Bunting Adv. Agency

46 Ozalid Div. (General Aniline & Film Corp.)
Agency: Reach, McClinton & Co.

61 Packaging Corp. of America
Agency: Carr Liggett Adv., Inc.

7 Richfield Oil Corp.
Agency: Hixson & Jorgensen, Inc.

34-35 Rohm & Haas Co. (Plastics Div.)
Agency: Arndt, Preston, Chapin, Lamb & Keen, Inc.

13 Royal Metal Mfg. Co.
Agency: Chirurg & Cairns, Inc.

76 Rust-Oleum Corp.
Agency: O'Grady-Andersen-Gray, Inc.

93 Salomon Brothers & Hutzler
Agency: Doremus & Co.

80 Shaw-Walker Co.
Agency: J. Walter Thompson Co.

80 Smith, Barney & Co.
Agency: Albert Frank-Guenther Law, Inc.

86-87 Southern Railway System
Agency: Cunningham & Walsh Inc.

73 Stran-Steel Corp. (Unit of Nat'l Steel Corp.)
Agency: Campbell-Ewald Co.

68 Swiss Air Transport Co., Ltd.
Agency: Campbell-Ewald Co.

32 Sylvania Electric Products, Inc.
Agency: Kudner Agency, Inc.

4 The Timken Roller Bearing Co.
Agency: Batten, Barton, Durstine & Osborn, Inc.

36 The Torrington Co.
Agency: Hazard Adv. Co., Inc.

70 Trailmobile Inc.
Agency: Farson, Huff & Northlich, Inc.

50 Travelers Insurance Co.
Agency: Young & Rubicam, Inc.

90 Viking Pump Co.
Agency: Wesley Day & Co., Inc.

69 Wellington Sears Co.
Agency: Ellington & Co., Inc.

106 Western Architect & Engineer

44-45 Westinghouse Electric Corp.
Agency: Ketchum, MacLeod & Grove, Inc.

2nd Cover Worthington Corp.
Agency: Needham, Louis & Brorby, Inc.

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A disappointing presidential message

The program that Pres. Kennedy presented to Congress in his second State of the Union message last week is a sad disappointment. What the country had a right to expect from the new Administration at the end of its fourth month in office was a thoughtful, courageous plan for dealing with the problems that are pressing in upon us at home and abroad. What the President gave it was another campaign speech.

It is scarcely accurate, in fact, to describe the President's various proposals as a program. They are rather a cornucopia of unrelated items, each designed to give something to a particular group or to satisfy a particular interest. There is money for the space program, money for retraining labor, money for civil defense, money for expanding the armed forces, money for small business, and money for foreign aid. But there is no unifying principle, no basic philosophy to tie this miscellany together and to insure that the expenditure of this extra money will help us to meet the challenges we face.

Strengths and weaknesses

In this situation, each of the President's proposals will have to be judged on its own merits. Some, undoubtedly, will prove wise, and these should be adopted. Others, it seems likely, will have considerable difficulty in justifying themselves.

In general, the expansion of the space program and the intensification of our efforts in this field are highly desirable. This country is in a race with the Russians whether it acknowledges the fact or not. The spectacular successes of the Soviets in this competition have hurt us terribly in the eyes of world. If more money and a greater sense of urgency can help us to overcome the handicap of our slow start, then this is no time to stint.

It would have been wiser, though, if the President had resisted the temptation to make a dramatic gesture by promising a landing on the moon before the end of the decade. One reason that the Russians have scored such propaganda successes is that they have performed first and boasted afterward. This is a lesson the U.S. could afford to learn.

Somewhat the same thing can be said of the plan to reorganize the Army for greater striking power and more rapid deployment. Certainly, it is necessary for the U.S. to be able to deal quickly and effectively with a military challenge anywhere in the world. But the less we say about it and the fewer the promises we give to dubious allies in remote parts of the world, the better.

The proposal to triple federal spending on civil defense and to embark on a program of constructing fallout shelters, quite frankly, sounds like nonsense. If the Administration is seriously committed to a program of shelter construction, then its new civil defense budget will not be a drop in the bucket. If it is not, then spending a few more millions is not going to help. It is hard to avoid the suspicion that this proposal is simply designed to quiet a rather insistent group that has been urging its views on the White House, at least some of whom are more interested in make-work spending than in civil defense.

The proposed additional expenditures to aid small business and to retrain displaced workers also are very dubious propositions. There is no evidence that small business needs more financial assistance from the federal government. And experience with retraining programs to this date has not been encouraging.

Finally, there are the rather vague recommendations for increasing foreign aid. It may or may not be necessary to spend more on aid to our allies and to the underdeveloped countries. But the crying need today is to reassess our entire aid program and to coordinate it into a single, carefully planned, and effective operation. The hasty addition of more funds, with no specifics as to how they will be used is the wrong way to go about this.

The dangers

The unfortunate thing about all this grab bag of proposals is that it would add something over $1.5-billion to the federal government's expenditures in the near future—and far more than that as time goes on. This extra spending would come at a time when the economy already is turning up strongly, and when the danger of a new round of inflation once again is emerging.

The President already is forecasting a deficit for the fiscal year 1961-62. The additional spending would simply widen the gap between income and outgo. In spite of anything the Administration says, it would go a long way toward ruling out any possibility of the tax reform and reduction that is so long overdue and so badly needed.

It is one thing to embark on such a spending program as part of a well-reasoned and consistent plan. It is quite another to accept it simply for lack of anything better.

The President's speech was a stirring piece of oratory, as all his speeches are. But the country today desperately needs more than speeches. The perils that confront us are very real. To face them and surmount them, we need more than fine words and free spending.